

1	BEFORE THE	
2	ILLINOIS COMMERCE COMMISSION	
3	CENTRAL ILLINOIS LIGHT COMPANY,) ON REHEARING
4	d/b/a AmerenCILCO)
5	Proposed general increase in rates) CONSOLIDATED
6	for delivery service. (Tariffs) DOCKET NO.
7	filed December 27, 2005)) 06-0070
8	-----)
9	CENTRAL ILLINOIS PUBLIC SERVICE)
10	COMPANY, d/b/a AmerenCIPS)
11	Proposed general increase in rates) 06-0071
12	for delivery service. (Tariffs)
13	filed December 27, 2005))
14	-----)
15	ILLINOIS POWER COMPANY,)
16	d/b/a AmerenIP)
17	Proposed general increase in rates) 06-0072
18	for delivery service. (Tariffs)
19	filed December 27, 2005))

14 Springfield, Illinois
15 Thursday, March 8, 2007

16 Met, pursuant to notice at 9:30 A.M.

17 BEFORE:

18 MR. JOHN ALBERS, Administrative Law Judge
19 MR. J. STEPHEN YODER, Administrative Law Judge

20
21 SULLIVAN REPORTING COMPANY, by
22 Carla Boehl, Reporter, Ln. #084-002710 &
Lori Bernardy, Ln. #084-004126

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1	I N D E X			
2	<u>WITNESSES</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u> <u>RECROSS</u>
3	RONALD D. STAFFORD			
	By Ms. Earl	20		95
4	By Mr. Fosco		23	
	By Ms. Scarsella		31	
5	By Mr. Feeley		45	96
	By Mr. Robertson		89	
6	By Judge Yoder		92	
	By Judge Albers		93	
7				
	MICHAEL J. ADAMS			
8	By Mr. Flynn	111		150
	By Mr. Fosco		117	153
9	By Ms. Scarsella		129	
	By Mr. Feeley		133	
10	By Mr. Robertson		144	
	By Judge Albers		148	154
11				
	SCOTT A. STRUCK			
12	By Mr. Fosco	156		
	By Judge Albers		158	
13				
	BURMA C. JONES			
14	By Ms. Scarsella	161		
	By Ms. Earl		163	
15				
	THERESA EBREY			
16	By Mr. Feeley	176		
	By Ms. Earl		180	
17				
	PETER LAZARE			
18	By Mr. Fosco	190		
	By Mr. Flynn		192	
19				
20				
21				
22				

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I N D E X

<u>EXHIBITS</u>	<u>MARKED</u>	<u>ADMITTED</u>
ICC Staff Cross 1 On Rehearing	24	88
ICC Staff Cross 2 On Rehearing	33	88
ICC Staff Cross 3 On Rehearing	79	88
ICC Staff Cross 4 On Rehearing	82	88
ICC Staff Cross 5 On Rehearing	83	88
ICC Staff Cross 6 On Rehearing	83	88
IIEC Cross 1 On Rehearing	90	91
ICC Staff 23.0	e-Docket	176
ICC Staff 24.0 Corrected & Attachments	e-Docket	189
ICC Staff 25 Corrected & 25.01, 25.02, 25.03, 25.04, 25.05, 25.06, 25.07, 25.08 CILCO, CIPS, IP	e-Docket	160
ICC Staff 26 Corrected & 26.1, 26.2	e-Docket	208

1 Light Company d/b/a AmerenCILCO and Illinois Power
2 Company d/b/a AmerenIP, Laura M. Earl and Christopher
3 W. Flynn of Jones Day law firm, 77 West Wacker,
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5 MR. FITZHENRY: Edward Fitzhenry on behalf of
6 the Ameren companies. My address is 1901 Chouteau
7 Avenue, Post Office Box 66149, St. Louis, Missouri
8 63166-6149.

9 MS. McKIBBIN: Anne McKibbin on behalf of the
10 Citizens Utility Board. My address is 208 South
11 LaSalle Street, Suite 1760, Chicago, Illinois 60604.

12 JUDGE ALBERS: Ms. McKibbin, could you please
13 spell your last name?

14 MS. McKIBBIN: Yes, it is M-C capital
15 K-I-B-B-I-N.

16 MR. ROBERTSON: Eric Robertson, Lueders,
17 Robertson and Konzen, P.O. Box 735, 1939 Delmar,
18 Granite City, Illinois 62040, on behalf of the
19 Illinois Industrial Energy Consumers.

20 JUDGE ALBERS: Thank you. Any others wishing
21 to enter an appearance? Let the record show no
22 response.

1 As far as preliminary matters, you are
2 all aware we have the Attorney General's emergency
3 motion that was filed yesterday afternoon. This
4 morning Judge Yoder and I received the Ameren
5 utilities' response to the motion. I understand that
6 you have received that as well. We will hear any
7 replies to that motion following the cross
8 examination of Ameren witness Stafford but prior to
9 the cross examination of Ameren witness Adams.

10 So with that are there any other
11 preliminary matters? None, okay.

12 I would also just ask when you are
13 moving your testimony into the record, if it is a
14 corrected version, please be sure to note that. And
15 if you have it available, please provide us the date
16 on which the document was filed on e-Docket to make
17 sure we get the right version.

18 So if there is nothing further, then
19 Mr. Flynn, Ms. Earl, I will turn things over to you.

20 MS. EARL: Respondents call Ronald Stafford.

21 JUDGE ALBERS: And to the extent that the other
22 witnesses are in the room, if you could please stand

1 and raise your right hand and I will swear everyone
2 in at once.

3 (Whereupon the witnesses were
4 duly sworn by Judge Albers.)

5 RONALD D. STAFFORD
6 called as a witness on behalf of the Ameren
7 companies, having been first duly sworn, was examined
8 and testified as follows:

9 DIRECT EXAMINATION

10 BY MS. EARL:

11 Q. Mr. Stafford, could you please state your
12 name and your business address for the record.

13 A. My name is Ronald D. Stafford and my
14 business address is One Ameren Plaza, 1901 Chouteau
15 Avenue, St. Louis, Missouri 63103.

16 Q. Mr. Stafford, by whom are you employed and
17 in what capacity?

18 A. Ameren Services Company, Managing
19 Supervisor of Regulatory Accounting.

20 Q. Have you prepared testimony on behalf of
21 the Ameren companies in this case?

22 A. Yes, I have.

1 Q. Do you have before you a copy of documents
2 marked Respondents' Exhibit 53.0 which was filed on
3 e-Docket on January 24, 2007; Respondents' Exhibit
4 55.0 filed on e-Docket on February 28, 2007; also
5 Respondents' Exhibits 55.1, 55.2 and 55.3 filed on
6 e-Docket on February 28, 2007; and also an errata to
7 your rebuttal testimony exhibit Respondents' Exhibit
8 55.0 that was filed on e-Docket on March 5? Are
9 these documents true and correct copies of the
10 testimony you prepared on behalf of the Ameren
11 companies?

12 A. Yes. I would also note that I filed the
13 Respondents' Exhibit 53.1 in addition to the list you
14 provided.

15 Q. I apologize. Which was filed on e-Docket
16 on January 24, 2007. Do you have any corrections to
17 make to this testimony?

18 A. Yes, I do have one correction to my
19 Respondents' Exhibit 55.0. At lines -- page 33, line
20 733 of page 33, the word "biannual" should be
21 "biennial," B-I-E-N-N-I-E-L. That's the only
22 correction I have.

1 MS. EARL: Thank you. At this time I would
2 move to enter the testimony into the record.

3 JUDGE ALBERS: Could you provide the dates on
4 which those were filed again, please?

5 MS. EARL: All of the exhibits?

6 JUDGE ALBERS: Well, mostly 55.0.

7 MS. EARL: 55.0 through 55.3 were all filed on
8 February 28, 2007.

9 JUDGE ALBERS: All right. Thank you. And you
10 only corrected one?

11 MS. EARL: Respondents' Exhibit 55.0, there was
12 an errata filed on March 5.

13 JUDGE ALBERS: All right. We will -- well, any
14 objections at this point, anything in Mr. Stafford's
15 testimony? We will withhold admission subject to
16 cross.

17 So does anyone have any questions for
18 Mr. Stafford?

19 MR. FOSCO: Yes, Your Honor, Staff does. We
20 have cross questions for Mr. Stafford. And just for
21 the record, Your Honor, we have spoken to counsel for
22 Ameren, but Staff's questions relate to various

1 witnesses and we have different counsels, so we were
2 going to use different counsels to cross Mr.
3 Stafford, myself and Ms. Scarsella and Mr. Feeley,
4 related basically to separate issues related to, you
5 know, three different staff counsels.

6 JUDGE ALBERS: Any objection to that, Mr.
7 Flynn?

8 MS. EARL: No, Your Honor.

9 CROSS EXAMINATION

10 BY MS. FOSCO:

11 Q. Good morning, Mr. Stafford.

12 A. Good morning.

13 Q. My name is Carmen Fosco. I am one of the
14 attorneys representing Staff and I have a few
15 questions for you about your testimony on rehearing.

16 Mr. Stafford, do you have with you a
17 copy of the companies' response to Staff Data Request
18 PL 10.39?

19 A. Yes, I do.

20 MR. FOSCO: Actually, Your Honor, I guess if I
21 can I will go ahead and mark a copy of it for the
22 record. And since we are on rehearing I will call

1 this Staff Exhibit R1; would that be appropriate?

2 Because we already have a Staff Cross Exhibit 1.

3 JUDGE ALBERS: Just call it Staff Exhibit 1 on
4 Rehearing because sometimes we use "R" to reflect
5 revised.

6 (Whereupon ICC Staff Cross
7 Exhibit 1 on Rehearing was
8 marked for purposes of
9 identification as of this date.)

10 BY MR. FOSCO: Your Honor, may I approach the
11 witness?

12 JUDGE ALBERS: Yes.

13 BY MR. FOSCO:

14 Q. Mr. Stafford, my first question is, this
15 response was prepared by you or under your direction
16 and control, is that correct?

17 A. That's correct.

18 Q. And this is Staff Data Request PL 10.39,
19 correct?

20 A. Correct.

21 Q. And that data request asks you some
22 questions about health care costs for retired Ameren

1 employees, is that correct?

2 A. Yes.

3 Q. And as part of your answer to that data
4 request did you indicate in Part C, "As described
5 above in my response to A, the health care expense
6 for retired employees only is not determinable.
7 However, a reasonable allocation of the Test Year A&G
8 health care expense for retired production employees
9 of AmerenIP would be 1,506,000"?

10 A. That is correct.

11 Q. So is it your position on rehearing that
12 the proposed level of A&G expenses includes
13 approximately 1.5 million in health care costs for
14 retired production workers?

15 A. That's an allocation of the costs that's
16 included in revenue requirement associated with
17 retiring production workers, yes.

18 Q. And that amount is in the revenue
19 requirement on rehearing?

20 A. Yes.

21 Q. Are you familiar with how the approximately
22 \$1.5 million figure was calculated?

1 A. Yes.

2 Q. Can you just generally describe how that
3 was done?

4 A. That was -- the information regarding
5 retired employees was initially calculated by the
6 actuary. He split up the components of the actuarial
7 costs into the various components and determined an
8 allocation based upon those. For example, he looked
9 at service costs and the other components of the
10 actuarial costs and split those up based upon his
11 best determination of what he thought the allocation
12 would be.

13 And then from there he did not know
14 how to split employees that were approaching the
15 retired fund. So we worked, myself and employees
16 under my supervision, worked with RH Arthur to try to
17 assess as best we could what employees that were
18 receiving benefits retired from functions that were
19 production functions at the time they retired.

20 And we could assess that in part by
21 looking at if they retired from a union position, the
22 type of -- for the most part we could determine

1 whether a union position was tied to a production
2 function and then we could also break down management
3 employee groups and retirees and try to determine as
4 best we could whether those various employees retired
5 from, say, a production supervisor function. And we
6 used that method to try to determine this allocation.

7 Q. Did the allocation of workers involved in
8 production functions only include employees who
9 actually worked in power plants?

10 A. I didn't try to directly assess that. I
11 tried to assess whether they retired from a position
12 at a production title. But, generally speaking, most
13 personnel that retire from a production function
14 would be at power plants. That may not necessarily
15 be the case for all positions.

16 Q. Would it include an allocation for all
17 employees -- well, I believe you mentioned that you
18 tried to include management level employees, too?

19 A. Yes, because we realized that some of the
20 supervisory level positions could have retired as,
21 say, production supervisor, production superintendent
22 type positions. So we tried to determine an

1 allocation for contract, for union and management
2 employees.

3 Q. Did you -- was it a yes/no determination?
4 I mean, did you make an allocation that some employee
5 might spend 50 percent of his time on production
6 functions and 50 percent on other functions such as
7 distribution?

8 A. No, it was not. It was a determination of
9 whether we believe from the data that we had, which
10 is imperfect data, we believe that they, at the time
11 they retired, they were in a production type
12 position.

13 Q. So it was sort of a yes/no determination?

14 A. Yes or no, that is correct.

15 Q. And what about executive management? Did
16 you attempt to allocate any A&G, any health care
17 expenses, related to executive officers who had
18 retired?

19 A. We didn't have the direct breakdown of
20 executive officers versus other. We had a breakdown
21 of management versus union employees. We tried to
22 make assessments from that what type of management

1 subgroups they were in and whether a portion of them
2 were associated with production. So we didn't make a
3 clear distinction between executive as you are using
4 it and other.

5 Q. Given that answer, do you know if any
6 executive level retirees were determined to have been
7 in the production function?

8 A. I don't know as I sit here today whether
9 the numbers we picked up included executive level
10 employees or not. We looked at management versus
11 union in our calculation.

12 Q. Do you know who Mr. Larry Altenbaumer (sp)
13 is?

14 A. No.

15 Q. Would it refresh your recollection if I
16 said he used to be the president of Illinois Power?

17 A. No.

18 Q. So since you don't know who that gentleman
19 is, you would not know how his health care costs as a
20 retiree were allocated?

21 A. That is correct. Our analysis did not
22 include employee names. They included employee

1 functions, subgroups of employees. I did not have
2 any names in front of me when we were making that
3 determination.

4 Q. I think just to summarize then, what you
5 did is look at job descriptions or titles in making
6 your allocation judgment?

7 A. Unions and then within -- depending on what
8 union they were in, for example, and if that
9 particular union is predominantly or entirely related
10 to production function, we would include that entire
11 union, for example. And then for the management side
12 we would look at the subgroups of management employee
13 data that we had and from that we could make some,
14 what we believe, was rational assessment of what
15 portion of those employees would have been assigned
16 to the production function of retirement. It was an
17 imperfect exercise, but it was the best data we had
18 available at the time.

19 Q. Moving onto a different topic now. I have
20 one other area of questioning before I turn you over
21 to my co-counsel.

22 I wanted to ask you if terms of what's

1 included in the revenue requirement on rehearing in
2 this case, are you familiar with the hazardous
3 materials adjustment clause cost for AmerenIP?

4 A. Yes.

5 Q. And are you familiar that as part of the
6 AmerenIP merger, the rider was approved and those
7 costs come out of a special fund?

8 A. I do, yes.

9 Q. Are you aware if the asbestos related
10 litigation costs, the settlement costs, were backed
11 out of the base rate revenue requirement?

12 A. Yes, they were. Part of our pro forma
13 adjustment excluded in its entirety any
14 asbestos-related costs for IP.

15 MR. FOSCO: Thank you. I will turn over the
16 questioning to Ms. Scarsella. Thank you.

17 JUDGE ALBERS: I am not even sure the
18 microphones are on.

19 CROSS EXAMINATION

20 BY MS. SCARSELLA:

21 Q. Good morning, Mr. Stafford.

22 A. Good morning.

1 Q. My name is Carla Scarsella, and I guess I
2 am one of the counsel representing Staff and I guess
3 you could say I am middle relief today.

4 I have some questions for you
5 concerning the reporting requirements recommended by
6 Staff witness Jones and one other topic. So let's
7 start off with the reporting requirements recommended
8 by Staff witness Jones.

9 If I can refer you to your rebuttal
10 testimony on rehearing, Respondents' Exhibit 55.0,
11 line 736. There you state that -- isn't it correct
12 that you state that the creation of the biennial
13 report takes approximately 250 hours?

14 A. That's correct.

15 Q. Then if I can refer you to lines 736
16 through 738 of that same testimony, you conclude that
17 creating it on an annual basis doubles the hours to
18 be expended and the expenses to AMS customers,
19 correct?

20 A. Correct.

21 Q. Mr. Stafford, are you familiar with Ameren
22 Service Company's Service Request Manual?

1 A. Yes.

2 MS. SCARSELLA: Your Honors, may I approach the
3 witness?

4 JUDGE ALBERS: Yes.

5 (Whereupon ICC Staff Cross
6 Exhibit 2 on Rehearing was
7 marked for purposes of
8 identification as of this date.)

9 BY MS. SCARSELLA:

10 Q. I have marked this ICC Staff Cross Exhibit
11 on Rehearing Number 2. Do you recognize this
12 document?

13 A. Yes, I do.

14 Q. What is this document?

15 A. This document lays out the overall service
16 request process from the Ameren Service Company with
17 respect to all guidelines related to that process.

18 Q. It is the Ameren Services Company Service
19 Request Manual?

20 A. Yes.

21 Q. If I could refer you to page 12 of the
22 manual and can I ask you to read the very last full

1 sentence on that page? It begins with "In addition."

2 A. "In addition, service request policies,
3 operating procedures and controls will be evaluated
4 annually."

5 Q. Do you agree that the Service Request
6 Manual states that AMS's Internal Audit Department
7 will evaluate the service request policies, operating
8 procedures and controls annually?

9 A. Yes.

10 Q. Please explain how providing to Staff on an
11 annual basis the report of evaluation that according
12 to the Service Request Manual is conducted on an
13 annual basis will double the hours expended and the
14 expenses to AMS customers.

15 A. Well, it is referring to the scope of the
16 actual audit itself would increase by 250 hours
17 because there is certain steps that internal audit
18 does independent of the audit itself from a control
19 standpoint. And what is being referred to here is
20 the communication I received from the manager of
21 internal audit that stated that a full-blown internal
22 audit report would double the number of hours.

1 There is steps being done annually.
2 On the one hand the audit itself is being conducted
3 every other year internally. If you change that
4 audit to being conducted annually, then you double
5 the number of hours.

6 Q. But Staff witness Jones had several
7 recommendations, correct? Not only that the audit be
8 done annually but that a report of this evaluation be
9 provided annually, correct?

10 A. Are you referring to Item 7 of Ms. Jones'
11 recommendation, page 11 of her testimony?

12 Q. I was referring to Item 2 on page 10.

13 A. Oh, yes, I agree.

14 Q. All right. Just to be clear and if I am
15 misstating your testimony, please correct me. The
16 250-hour estimate refers to the audit and not to the
17 examination of these policies, operating procedures
18 and controls which is evaluated annually?

19 A. That is correct.

20 Q. If I can have you refer to page 12 of the
21 manual once again and if you can please read the
22 first two sentences under Internal Audit Control?

1 A. "The AMS Internal Audit Department will
2 conduct audits of the service request system every
3 two years. Computer systems, billings and source
4 documentation will be examined to insure that the
5 services provided are authorized, documented and
6 accurately recorded in AMS's, AMC's and any
7 subsidiary's books and records."

8 Q. And just for the record AMC refers to the
9 Ameren corporation?

10 A. Yes.

11 Q. Is the time that it takes to examine
12 billings and source documentations for a given
13 two-year period comparable to whether the examination
14 is done at the end of each year or at the end of the
15 two-year period, in your estimation?

16 A. I don't understand the question, sorry.

17 Q. All right. Would you say that an
18 examination of a two-year period which is conducted
19 at the end of each year of that two-year period is
20 comparable to an examination of those documents at
21 the very end of the two-year period, the time it
22 takes to --

1 A. I am not sure I fully understand your
2 question. Could you repeat it or rephrase it?

3 Q. Sure, let me see if I can try to rephrase
4 it.

5 Is the time that it takes to conduct
6 an examination of billings and source documentations,
7 is it comparable, is the time comparable, if that
8 examination were done in two phases at the end of
9 each year for a bi-annual period or is it comparable
10 to having that same examination done at the end of
11 the two-year period?

12 A. If I understand your question correctly,
13 you are referring to having a two-phase audit
14 conducted?

15 Q. Correct.

16 A. Versus a one-phase done every two years, is
17 that correct?

18 Q. Correct.

19 A. I believe the conducting of a one-phase on
20 every two years in my opinion would be more
21 economically efficient, would take slightly less time
22 than conducting a two-phase audit because I believe

1 there would be some redundancy from audit scope under
2 a two-phase audit concept. You would have to have a
3 clear line of distinction as to where you cut off
4 phase one versus start up of phase two. I think
5 there would be a little bit of redundancy and
6 additional documentation required to conduct that.

7 Q. But would it double the time that it takes?

8 A. Not that particular step, no.

9 Q. All right. Let's move on to another
10 reporting requirement.

11 Isn't it correct that Staff witness
12 Jones recommends that Ameren provide a report
13 identifying the specifics of the benchmarking plan
14 required in the manual and subsequent reports
15 identifying changes to the benchmarking plan?

16 A. Correct.

17 Q. And if it is helpful, it is page 10, line
18 189 of Ms. Jones' testimony.

19 A. Yes, I have that. I agree.

20 Q. If I could refer you to line 743 of your
21 rebuttal testimony on rehearing, isn't it correct
22 that there you oppose the benchmarking report that

1 Ms. Jones recommends because, and I quote, "The
2 requested report is vague in terms of scope and
3 direction"?

4 A. Yes.

5 Q. Can I refer you to page 14 of the AMS
6 Service Request Manual? At the end of that first
7 paragraph, the last sentence states, and I quote, "In
8 addition to the review process with customers, AMS
9 will establish a benchmarking plan to the extent
10 deemed appropriate by senior management of AMC in
11 order to continue to improve the effectiveness of
12 services offered to AMC, the operating companies and
13 affiliates, and to insure that the services offered
14 are cost competitive," correct?

15 A. Correct.

16 Q. Does Ameren Services Company have an
17 established benchmarking plan?

18 A. I don't know whether Ameren Services
19 Company has an established benchmarking plan per se.
20 I am aware of the studies that Mr. Adams has provided
21 in testimony, but I don't know specifically whether
22 they do or don't.

1 Q. Then how does Ameren Services Company
2 insure that the services it offers are cost
3 competitive?

4 A. Well, I believe Mr. Adams has addressed
5 that in his testimony. I believe that question
6 should be addressed to him.

7 Q. Okay. We are on to the last set of
8 questions. And this relates to your Schedule 55.1,
9 Schedule 1. But before we get there, if I can refer
10 you to lines 369 through 371 of your direct testimony
11 on rehearing?

12 JUDGE ALBERS: Ms. Scarsella, what were those
13 line numbers?

14 MS. SCARSELLA: Sure, they were lines 369
15 through 371.

16 Q. There you state, "Due to the approach used
17 by AmerenCIPS in its filing to not re-argue the use
18 of a labor allocator for A&G expense in the prior DST
19 case, no specific A&G allowances were identified,"
20 correct?

21 A. I believe I might have said that no
22 specific A&G disallowances were identified.

1 Otherwise, I agree.

2 Q. Thank you. So the A&G expense approved for
3 AmerenCIPS in its prior DST case was based on the use
4 of a labor allocator?

5 A. Yes.

6 Q. Please refer to lines 397 through 398 of
7 your direct testimony on rehearing. There you state
8 that, "The approach that the Commission adopted,
9 however, was based on a purely functional allocation
10 approach, employing only one allocator for all
11 unadjusted test year costs," correct?

12 A. Correct.

13 Q. So the A&G expense approved for AmerenCILCO
14 in its prior DST case is based on the use of a labor
15 allocator?

16 A. Correct.

17 Q. Now can I refer you to lines 467 through
18 469 of your direct testimony? In discussing
19 AmerenIP's prior DST case you state that, and I
20 quote, "The 19.16 million disallowance could not and
21 was not traced to any specific A&G expense in that
22 case, but rather relied entirely on a formula that

1 was derived from the first DST case," correct?

2 A. Yes.

3 Q. So the A&G expense approved for AmerenIP in
4 its prior DST case is based on the use of a labor
5 allocator?

6 A. As I understand it, is based on the
7 continuation of a labor allocator from a prior case
8 when IP was still in generation.

9 Q. Okay. Now if I can refer you to your
10 Exhibit 55.1, Schedule 1, line 5, you have identified
11 prior A&G disallowance amounts for AmerenCILCO and
12 AmerenIP, correct?

13 A. Correct.

14 Q. For AmerenCILCO and AmerenIP does adding
15 the prior A&G amounts disallowed to the respective
16 prior authorized A&G amounts on line 1 effectively
17 remove the effect of using the labor allocator to
18 determine A&G expense in the prior DST proceedings?

19 A. I would not agree with that. What I
20 removed is the prior A&G disallowances that were
21 directly outlined by the Commission in those orders.
22 And I am focusing on what specifically was disallowed

1 from AmerenCILCO or CILCO and IP's proposals in this
2 case, these cases. So I am adding back a
3 specifically identified disallowance by the
4 Commission in those cases or under the company's
5 proposal.

6 Q. Were those disallowances based on the use
7 of a labor allocator for each of those companies?

8 A. The disallowance for AmerenCILCO, a portion
9 of it was based upon use of a different allocator.
10 In the Commission's case they used a straight labor
11 allocator versus the Company's employment on the
12 direct assignment approach. A portion of those cost
13 items were a particular expense was in an account
14 other than A&G and then the Commission's disallowance
15 was or adjustment was to A&G expense. So some of the
16 adjustments were related to use of a different
17 allocator. Some of the adjustments were disallowance
18 of an expense, for example, Account 580 which is an
19 operations and maintenance expense, and then the
20 Commission disallowed the particular expenses in A&G
21 expense. So they are not all the same in the case of
22 CILCO.

1 In the case of IP, IP did not have
2 generation assets in that case. So it was just a
3 disallowance determination the Commission made in
4 that case and it was based on a continuation of the
5 labor allocator from a prior case when IP was still
6 in generation.

7 Q. Referring to line 19 of your Exhibit 55.1,
8 Schedule 1, does the surrebuttal amounts of A&G
9 expense for AmerenCIPS reflect any addition or
10 subtraction to the prior authorized A&G amount on
11 line 1 to remove the effect of using a labor
12 allocator to determine A&G expense in the AmerenCIPS
13 prior DST proceeding?

14 A. No. The surrebuttal amounts are based upon
15 Ameren's -- Ameren Illinois utilities' A&G expense
16 assigned to the distribution business in its
17 surrebuttal filing. It is based upon actual expense
18 essentially and pro forma.

19 MS. SCARSELLA: All right. That's all the
20 questions I have, but Mr. Feeley has a few more
21 questions.

22 Oh, and I would like to move into the

1 record ICC Staff Exhibit on Rehearing Number 2, well,
2 1 and 2.

3 JUDGE ALBERS: Okay. Well, are there going to
4 be any more?

5 MS. SCARSELLA: Shall we wait til the end?

6 JUDGE ALBERS: Yeah.

7 CROSS EXAMINATION

8 BY MR. FEELEY:

9 Q. Good morning, Mr. Stafford. My name is
10 John Feeley and I also represent Staff.
11 Unfortunately, I don't have just a few more
12 questions. I have a lot of questions, just to give
13 you a heads up.

14 Go to your rebuttal testimony on
15 rehearing, in particular around page 12. Do you see
16 your question there around line 267 you talk about
17 Staff's trend analysis. Do you see that?

18 A. Yes.

19 Q. And Staff did a trend analysis and then you
20 offered your own trend analysis, correct?

21 A. Correct.

22 Q. And your analysis is on 55.2, correct,

1 which is about four pages, is four pages long?

2 A. That's correct.

3 Q. And on your 55.2, Schedule 1, page 1 of 4,
4 in line 7 you exclude employee pension and benefit
5 expense, is that correct?

6 A. Correct.

7 Q. And would you agree subject to check that
8 the total A&G expense for each of the utilities for
9 the period ended 12/31/05 is as follows: CILCO
10 36,056,736; CIPS 41,304,812; and IP 67,543,312? And
11 I will give you a document to look at. It would
12 be -- one second.

13 My co-counsel is going to hand you
14 workpapers for Mr. Adams and there is workpapers for
15 CILCO, CIPS and IP.

16 JUDGE YODER: Mr. Feeley, are you going to want
17 these marked?

18 MR. FEELEY: I don't plan on it. Just for
19 reference. I am going to have several documents like
20 this that he will look at, but I don't plan on
21 marking any as a cross exhibit.

22 Q. And would you agree subject to check those

1 are copies of Mr. Adams' workpapers?

2 A. Yes.

3 Q. And --

4 JUDGE ALBERS: Whose workpapers?

5 Q. Mr. Adams.

6 JUDGE ALBERS: Oh, Mr. Adams.

7 Q. If you look at the one, the CILCO one, look

8 at line 18, it shows a total of A&G expenses and if

9 you go to Columns H and I, Column H is the 2005 total

10 and Column I is the 2006 total. And do you see there

11 CILCO for 2005 is 36,056,736?

12 A. 36,056,736, yes.

13 Q. And that's for 2005?

14 A. Correct.

15 Q. And for 2006 it is the 30,051,940?

16 A. Correct.

17 Q. All right. And then on the other two for

18 CIPS and IP, CIPS total A&G for 2005 is 41,304,812?

19 A. Correct.

20 Q. And the total for A&G for 2006 is

21 39,764,547?

22 A. Correct.

1 Q. And for IP the total A&G 2005 is
2 67,543,312?

3 A. Correct.

4 Q. And the total A&G 2006 is 67,715,534?

5 A. Correct.

6 Q. Okay. Now, look at your Exhibit 55.2,
7 Schedule 1e, page 2 of 4, and that schedule there is
8 regarding CILCO, correct?

9 A. Would you give me the reference again,
10 please?

11 Q. Your Exhibit 55.2, Schedule 1, page 2 of 4.

12 A. Correct.

13 Q. And on line 18 you have a description
14 Distribution Share Percentage?

15 A. Yes.

16 Q. And for CILCO the percentage is .8888,
17 correct?

18 A. Correct.

19 Q. So if you take -- would you agree that if
20 you take CILCO's total A&G expense for 2005 and apply
21 your distribution share percentage, that would come
22 up with CILCO's distribution A&G expense?

1 A. Would you repeat that, please?

2 Q. If you take the total A&G for CILCO but
3 apply your distribution share percentage of .8888,
4 you would come up with CILCO's distribution share,
5 CILCO's distribution A&G expense for the respective
6 years?

7 A. Distribution share, yes. I agree.

8 Q. Do you have a calculator? Can I provide
9 you one?

10 A. Yeah, I have one. I don't know how many
11 digits it goes out to, but.

12 Q. Do you have a scrap paper, pen or
13 something?

14 A. Yeah.

15 Q. All right. So if you take CILCO's 2005
16 total A&G, multiply that by the .8888?

17 JUDGE ALBERS: Mr. Feeley, you are taking it
18 off the sheet?

19 MR. FEELEY: Yes, these are the numbers. The
20 total A&G are coming from Mr. Adams' workpapers. The
21 distribution share percentage is coming from his
22 schedule.

1 JUDGE ALBERS: Okay, thank you.

2 A. I multiplied the amount from Mr. Adams'
3 workpaper for the test year. I am not sure what you
4 are --

5 Q. Go to -- we will take CILCO. Go to Column
6 H, line 18, see the 36,056,736?

7 A. Yeah. If I take the 36,056,736 times the
8 .8888, I get 32,018,381.

9 MR. GARG: Your Honor, I have to just point out
10 that there is a pending motion to strike Mr. Adams'
11 workpapers, and so just to alert Staff that this
12 cross examination is being done on using the
13 workpapers that may be stricken.

14 I don't want to -- I am not waiving my
15 motion. I just don't want to waive my motion by
16 letting Staff proceed.

17 MR. FEELEY: But my understanding is these were
18 workpapers that were provided a while ago. These
19 aren't recent workpapers.

20 MR. GARG: Our motion is with respect to
21 Mr. Adams' testimony, exhibits and workpapers that he
22 filed in this case and in the rehearing.

1 JUDGE ALBERS: In their entirety?

2 MR. GARG: In the rehearing.

3 JUDGE ALBERS: In the rehearing.

4 MR. GARG: Yes, that is correct.

5 JUDGE ALBERS: Understood. I will allow

6 Mr. Feeley to proceed.

7 MR. GARG: Thank you.

8 BY MR. FEELEY:

9 Q. I need to check your math there because I

10 came up with a different answer.

11 A. I am not used to using this calculator so

12 it just might be my multiplication.

13 I do get a different answer. I have a

14 new answer. 32,047,226.

15 Q. Yes. All right. Mr. Stafford, these total

16 A&G expense numbers, do you know, is it your

17 understanding that these come from the FERC Form 1?

18 A. The amounts prior to 2005 and prior to 2006

19 pro forma have not yet been filed. The data is based

20 upon actual numbers out of our accounting system.

21 Q. But 2005 is from FERC Form 1?

22 A. Right.

1 Q. 2006 is not. So they are independent
2 really of the workpapers. I guess my point is, these
3 numbers on Mr. Adams' workpaper at least for 2005 is
4 coming from a FERC Form 1 document?

5 A. Correct.

6 Q. All right.

7 A. But then Mr. Adams combines Account 930 --
8 I stand corrected, I am sorry. He combines Account
9 930 -- no, strike that. These are from FERC Form 1.

10 Q. All of them are from FERC Form 1. I think
11 that moves us around the AG's objection.

12 Now, could you take the number for
13 2006 total A&G for CILCO, the 30,051,940?

14 A. 26,710,064.

15 Q. I am sorry?

16 A. 26,710,064 is the application of the .8888
17 to the number on the schedule.

18 Q. All right. And would you agree then that
19 the distribution share of CILCO's actual A&G expense
20 for 2005 and 2006 are both less than CILCO's
21 surrebuttal position of 36,164,000 which shows up on
22 Exhibit 55.1, Schedule 1, page 1 of 1?

1 A. Yes.

2 Q. Now, I am going to move on to CIPS. Maybe
3 I can make this go a little bit faster.

4 CIPS's distribution share percentage
5 is .9174, and I am getting that from your 55.2,
6 Schedule 1, page 3 of 4?

7 A. Correct.

8 Q. Okay. Subject to check would you agree
9 that if you take that distribution share percentage,
10 apply it to the total A&G expense for CIPS for 2005,
11 the distribution A&G expense would be 37,893,035?

12 A. Correct.

13 Q. And if we do the same calculation for 2006,
14 the distribution A&G expense would be 36,479,995,
15 subject to check?

16 A. Subject to check, yes.

17 Q. And then would you agree that the
18 distribution share of CIPS's actual A&G expense for
19 2005 and 2006 are both less than CIPS's surrebuttal
20 position of 46,089,000? That's coming off your
21 Exhibit 55.1, Schedule 1.

22 A. Yes.

1 Q. And go to page 4 of 4 of 55.2. IP's
2 distribution share percentage is .8852, is that
3 correct?

4 A. Correct.

5 Q. Subject to check would you agree that if
6 you take that distribution share percentage, apply it
7 to the A&G expense for 2005 for AmerenIP, the
8 distribution A&G expense would be 59,789,340?

9 A. Subject to check, yes.

10 Q. And if you take that same percentage, apply
11 it to A&G expense for 2006, the distribution A&G
12 expense would be 59,941,790, correct?

13 A. Correct.

14 Q. So would you agree that the distribution
15 share of IP's actual A&G expense for 2005 and 2006
16 are below costs in IP's surrebuttal position of
17 68,258,000 which shows up on Exhibit 55.1, Schedule
18 1?

19 A. I would agree, with the qualification that
20 the numbers for IP include purchase accounting and
21 the surrebuttal position excludes purchase
22 accounting. So there is a material difference

1 between what's reported in FERC Form 1 and what's
2 included for surrebuttal and due to the impact of
3 purchase accounting.

4 Q. We are done with Mr. Adams' workpapers.
5 You can put them to the side. I don't think we will
6 go back to them.

7 Turn to page 13 of your rebuttal
8 testimony.

9 A. What page was that?

10 Q. Page 13. Looking at lines 296 to 304 which
11 continues on to page 14, do you have that?

12 A. Yes, I have that.

13 Q. And in your testimony there you are
14 commenting on Staff's comparison between the level of
15 A&G expense included in the November 21 order and
16 those amounts for each utility on Staff's schedules
17 24.1 through 24.3?

18 A. Yes.

19 Q. Okay. Would you agree that the amounts
20 included in the November 21 order are limited to
21 distribution share of A&G costs while the amounts on
22 Staff schedules 24.1 to 24.3 are total A&G expenses

1 for each year that is presented there?

2 A. Yes.

3 Q. And would you agree that the amounts
4 included in the November 21 order include both
5 jurisdictional allocations and pro forma adjustments
6 to the actual 2004 amounts?

7 A. That's correct.

8 Q. Go to page 12 through 13 of your rebuttal,
9 lines 274 to 283. And you are discussing your trend
10 analysis there, correct, your trend analysis on 55.2?

11 A. That is correct.

12 Q. Okay. Now, if you could look at your 55.2
13 and pages -- going to be looking at pages 2, 3 and 4
14 of 55.2.

15 A. I have those.

16 Q. And look at -- looking down at lines 24
17 through 26 there on pages 2, 3 and 4, do you have
18 that in front of you?

19 A. Yes, I do.

20 Q. Okay. At the bottom of that Exhibit 55.2
21 you present the requested A&G expense for each
22 company less pensions and benefits, correct?

1 A. Yes.

2 Q. And that line -- the amount on line 24 is
3 the requested -- that represents the companies'
4 surrebuttal position for A&G expense, correct?

5 A. Correct.

6 Q. And see lines 25?

7 A. Yes.

8 Q. Are the amounts shown on line 25 for each
9 of the companies the amounts of pension and benefits
10 expense that are included in line 24 or are they some
11 other amount?

12 A. No, the amounts on line 25 are the actual
13 2005 pension benefit expense, while the company's
14 surrebuttal position was based primarily on 2006
15 budget information as corrected for various
16 adjustments that the company agreed to during the
17 proceeding.

18 Q. All right. Into kind of a new area. Can
19 you look at your lines 309 to 312 of your rebuttal?

20 A. I have that.

21 Q. Do you see where in your testimony you talk
22 about the minimum, you talk about 287.40 of the

1 Administrative Code? Do you see that in there?

2 A. Yes, I do.

3 Q. And in your testimony there you state
4 that -- would you agree in your testimony you are
5 stating there that 287.40 indicates that inflationary
6 adjustments are allowed?

7 A. Yes.

8 Q. Do you have a copy of Part 287 in front of
9 you? I have a copy if you don't.

10 A. I have the section that Ms. Ebrey quoted in
11 her testimony.

12 Q. All right.

13 A. It's a one sentence quote from her
14 testimony I have in front of me.

15 Q. Do you have all 287.40?

16 A. No.

17 (Whereupon a document was
18 presented to the Witness.)

19 Q. After you have had a chance to look at
20 that, let me know when you are ready.

21 A. I have reviewed it.

22 Q. Can you point out by reading where in

1 287.40 it indicates inflationary adjustments are
2 allowed?

3 A. In the sentence "Attrition or inflation
4 factors shall not be substitute to the specific study
5 of individual capital expense components." My
6 interpretation of that is that inflation adjustments
7 are allowed.

8 Q. So that's your -- it is an interpretation
9 of that language, right?

10 A. It is not only my interpretation; it is the
11 interpretation of this Commission, and there is
12 numerous examples where inflation has routinely been
13 included in it.

14 Q. It doesn't specifically state that there,
15 would you agree with that?

16 A. I believe it states that inflation factors,
17 inflation adjustments, are allowed. That's my
18 position. I believe that's implied from the
19 language.

20 Q. All right. Staying with your same
21 testimony, around lines 319 to 320, do you see in
22 your testimony there where you state that no one but

1 Ms. Ebrey has implied that the adjustment somehow
2 includes inflation?

3 A. Yes.

4 Q. Do you recall being sent a Data Request TEE
5 13.04, and it is actually Attachment A to Staff's
6 Exhibit 24? Do you have a copy of that?

7 A. I have that.

8 Q. If you could look -- so you have that in
9 front of you, Attachment A?

10 A. Yes, I do.

11 Q. Ameren's response to 13.04 was a narrative
12 response and then some schedules or whatever. Look
13 at page 2 of the narrative response.

14 A. Yes.

15 Q. And up at the top where it starts
16 "Respondents also note," do you see that?

17 A. Yes.

18 Q. Could you read that sentence? And this is
19 your response, your response both to this data
20 request response, right?

21 A. "Respondents also note that increases in
22 any particular calendar consistent with the fact that

1 we generally set rate of inflation during the
2 relevant time period is also positive."

3 Q. Done with that. Do you agree that the
4 company filed a historic, a 2004 historic, test year
5 in this case?

6 A. That is correct.

7 Q. And the company made its initial filing in
8 these docketed matters on December 27, 2005, is that
9 correct?

10 A. That is correct.

11 Q. At that point in time, December 27, 2005,
12 were actual costs for each utility through October
13 31, 2005, known?

14 A. Yes.

15 Q. And the AMS re-allocation was based upon
16 those numbers, the actuals through October 31, 2005,
17 correct?

18 A. They were based on the actual information
19 for May through October 2005.

20 Q. Why didn't the company adjust, for example,
21 its distribution costs, Accounts 580 through 598,
22 based on actual known data through October 31, 2005?

1 A. To the extent that the AMS re-allocation
2 included distribution accounts, the company did make
3 those adjustments. So the company adjusted all
4 accounts for the AMS impact. The reason why the
5 company specifically adjusted the AMS is to
6 incorporate the inclusion of IP into the Ameren
7 system and the Metro East transfer. So it was
8 relative to the company and material that such
9 adjustment be made.

10 The company didn't believe that it was
11 necessarily material to do the same thing for the
12 other companies. If the company had made that
13 adjustment for every single line item, then it would
14 be departing from a pure 2004 test year.

15 Q. Go to page 16 of your rebuttal, lines 348
16 to 351.

17 A. I have that.

18 Q. Is it correct in your testimony that you
19 state there that the AMS re-allocation adjustment
20 reflected all changes related to the acquisition?

21 A. I say that, yes.

22 Q. And by -- when you say acquisition, you

1 mean the acquisition of IP?

2 A. The impact on the Ameren Illinois utilities
3 of the acquisition of IP, yes.

4 Q. I guess I was wrong. I think you need to
5 look at TEE-13.04 again.

6 A. I have that.

7 Q. According to your response to Staff Data
8 Request TEE 13.04, on the last page of the attachment
9 you show that in 2004 AMS recorded 97.975 million in
10 salaries and wages expense in Account 920, is that
11 correct?

12 A. Could you repeat the amount again, please?

13 Q. The amount 97,975, Column C -- well,
14 Account 920, page 5 of 5 of Attachment A.

15 A. Yes.

16 Q. The IP acquisition did not take place until
17 September 2004, is that correct?

18 A. That's correct, October 1, I believe.

19 Q. Do you know if the employees represented by
20 the dollar amount of 97,975 received pay raises in
21 2005?

22 A. I believe that the majority of those

1 employees would have received pay raises, yes.

2 Q. Now, if you could go to your direct
3 testimony, page 8, around lines 173 to 174.

4 A. I am there.

5 Q. In your testimony there you are talking
6 about increases in A&G salary and wage expense, do
7 you see that?

8 A. I see that.

9 Q. And you give some reasons for an increase
10 in the wages of those employees, right?

11 A. Yes.

12 Q. Is it correct that in your testimony there
13 none of the reasons listed indicate that the
14 acquisition of IP caused an increase in wages for
15 those employees, correct?

16 A. And you are referring again to this section
17 of my direct testimony?

18 Q. Yes, your direct testimony around --
19 starting at line 173.

20 A. The acquisition of IP in and of itself
21 wouldn't result in pay raises to my knowledge.

22 Q. Okay. Go back to your rebuttal testimony

1 around lines 354 and 355. You discuss Ms. Ebrey's
2 Data Request TEE 13.04.

3 A. I have that.

4 Q. And in your testimony there is it a fair
5 statement that you are implying that Ms. Ebrey asked
6 for the impact of the IP acquisition on all Ameren
7 affiliates? Is that what your testimony is implying
8 there?

9 A. That's the analysis that would be required
10 to respond, fully respond, to that question, yes.

11 Q. But did Ms. Ebrey's data request ask for
12 that impact on all Ameren affiliates?

13 A. It is implied that she asked for all Ameren
14 affiliates because the question requires the company
15 to respond to an Ameren total number. It doesn't
16 require the company to respond to AmerenIP or
17 AmerenCILCO or AmerenCIPS numbers. That's implied
18 from the question.

19 Q. But in that request did Staff ask for an
20 impact on all the affiliates?

21 A. The question was asked to provide the
22 impact of the IP acquisition. To respond to that

1 question would require analysis that looked at the
2 impact on all affiliates. The only way it could be
3 responsive in its entirety was to do that.

4 Q. But look at your response to Staff Data
5 Request 13.04 which is Attachment A to Ms. Ebrey's
6 testimony.

7 A. Yes.

8 Q. Would you agree with me that Staff asked
9 for an explanation of the increases between 2004 AMS
10 cost levels and 2005 AMS cost levels?

11 A. Yes.

12 Q. And would you also agree that the only
13 reference to Ameren affiliates is that some portion
14 of the increase could be due to the acquisition of
15 IP, correct?

16 A. Staff specifically asked us to identify the
17 portion due to the acquisition of IP on AMS costs.
18 AMS costs would include any affiliates you see in AMS
19 costs.

20 Q. Okay. New area. Still your rebuttal
21 testimony, if you go to page 17, around lines 384 to
22 388?

1 A. I have that.

2 Q. In your testimony there you are referring
3 to Ms. Ebrey's testimony regarding the amounts
4 transferred to construction and this is in the
5 context of employee pension and benefits, correct?

6 A. Correct.

7 Q. Do you agree that Ms. Ebrey's concern is
8 that the numbers upon which the AG's adjustment was
9 based included amounts transferred to construction,
10 rather than that the company had not correctly
11 accounted for such costs?

12 A. Would you repeat the question, please?

13 Q. Sure. Would you agree that Ms. Ebrey's
14 concern with the numbers upon which the AG's
15 adjustment was based, was that it included amounts
16 transferred to construction, rather than that the
17 company had not correctly accounted for such costs?

18 A. That may be correct. I interpreted
19 Ms. Ebrey's concern to be that the amounts
20 transferred to construction may not have been the
21 correct amount to be transferred to construction.
22 The AG did adjust to eliminate a portion transferred

1 to construction. So since they clearly made that
2 adjustment, I interpreted her concern to be that they
3 may not have made the correct amount of transfer to
4 construction.

5 Q. Would you agree subject to check that the
6 allocations used by the AG in its proposed CILCO
7 adjustment for pensions and benefits expense are
8 based on the ratio of budgeted 2006 O&M expense
9 compared to total budgeted pension expense?

10 A. Would you repeat that again, please?

11 Q. Would you agree subject to check that the
12 allocations used by the AG in its proposed CILCO
13 adjustment for pension and benefits expense are based
14 on the ratio of budgeted 2006 O&M expense compared to
15 total budgeted pension expense?

16 A. Yes.

17 Q. Do you have a copy of Ameren's response to
18 Staff Data Request BCJ 6.10 in front of you?

19 A. I don't have that in front of me.

20 (Whereupon a document was
21 presented to the witness.)

22 Q. Just let you know we are more than past the

1 halfway point. More than half.

2 Do you have that in front of you
3 there?

4 A. Yes, I do.

5 Q. And the company provided the actual 2005
6 breakdown between pension and benefits charged to
7 construction and that charged to O&M, correct?

8 A. Correct.

9 Q. And for 2005, is it correct that for 2005
10 the actual total was 7,512,182?

11 A. I would say the total for a particular
12 amount related to FAS 106.

13 Q. Would you agree subject to check that that
14 was the number used as the basis for the AG's
15 adjustment?

16 A. I believe if the AG used that number, they
17 were making an adjustment for FAS 106 only. I would
18 agree subject to check that the adjustment had to be
19 for FAS 106 only, if that is the case.

20 Q. Then that amount would have been 4,455,371,
21 the corresponding -- that amount for that O&M expense
22 there?

1 A. If I recall correctly, the AG used a ratio
2 and they may have come up with a slightly different
3 number for that O&M than what's on here. I don't
4 know for sure. I don't think they directly used the
5 4,455 number.

6 Q. Do you have your workpaper WPC-2.3A? It is
7 a one-page document. It is workpaper supporting
8 annualized employee benefits excluding pensions for
9 AmerenCILCO. Do you have that in front of you or I
10 can provide you with a copy?

11 A. No, I don't.

12 (Whereupon a document was
13 presented to the witness.)

14 Q. Maybe I can cut this short. The AG used
15 2006, is that correct, a ratio from 2006?

16 A. My recollection is they used a 2006 ratio
17 from our workpapers to determine their allocation in
18 total to O&M expense.

19 Q. And would you agree the ratio for 2005
20 would not be the same as the ratio for 2006?

21 A. I would agree that the actual ratio for
22 2005 would be different than the 2006 actual ratio,

1 yes.

2 Q. And we were talking in the context of
3 CILCO. Would you expect the same to be true for CIPS
4 and IP?

5 A. Yes.

6 Q. Could we look at your Exhibit 55.3? Do you
7 have that in front of you?

8 A. Yes, I do.

9 Q. And that's a three-page document, correct,
10 one for CILCO, CIPS and IP, correct?

11 A. Correct.

12 Q. You make certain adjustments to the actual
13 2005 pension and benefits expense taken from each
14 utility's FERC Form 1, is that correct?

15 A. I make adjustments to the Account 920
16 balance for each of the companies, yes.

17 Q. Among those adjustments, and I am looking
18 at page 1 of 3 of 55.23, there is a pension loading
19 and I am looking at line number 6 and 7, pension
20 loadings for IP's share of AMS. And, well, there is
21 -- lines 6 and 7 shows two of those adjustments,
22 right?

1 A. Correct.

2 Q. When it says pension loadings for IP, did
3 you mean CILCO there?

4 A. Yes.

5 Q. And I think the same thing shows up for
6 CIPS. It says IP but that's for CIPS, right?

7 A. Correct.

8 Q. And then IP would be one.

9 A. Page 1, line 6 and 7 should say CILCO
10 instead of IP. Page 2, lines 6 and 7 should say CIPS
11 instead of IP on lines 6 to 7.

12 Q. And those adjustments, the perspective
13 ones, the loading, pension loadings, those costs are
14 the allocated portion of AMS costs for pensions and
15 benefits that were passed through to each of the
16 Ameren Illinois utilities, correct?

17 A. Those costs are the pension and benefits
18 expenses associated with AMS employee costs that were
19 allocated or direct assigned to AmerenCILCO in this
20 case.

21 Q. Okay. And since you are attempting to
22 adjust the total pensions and benefits costs, you are

1 adding those actual 2005 amounts allocated to each
2 utility from AMS to the actual 2005 pensions and
3 benefits costs reported in Account 926 from the
4 company's FERC Form 1, correct?

5 A. Well, I am adjusting to reflect a total
6 pension benefits expense number. Account 926 does
7 not include all pension benefits and expenses.
8 Therefore, it is necessary to make this add back. I
9 don't know if that answers your question, but that's
10 the step that is taken.

11 Q. And on your Exhibit 55.3 off to the side
12 where it says "source," you state that the AMS
13 amounts for pension and benefits were recorded to
14 Account 920, is that correct?

15 A. Yes, I provided a workpaper supporting that
16 with my testimony.

17 Q. And I think that your schedule there is
18 consistent with your testimony at lines -- on page
19 18, line 396 to 398, where you say that -- or are you
20 there yet? I am sorry, 396 to 398. Do you have that
21 in front of you?

22 A. Yes, I do.

1 Q. And your testimony there where you say
2 pensions and benefits expense related to Ameren
3 Illinois utilities share of AMS costs follow how
4 labor is recorded and, therefore, reside primarily in
5 Account 920, correct?

6 A. Correct.

7 Q. So your schedule and your testimony are
8 consistent there, right?

9 A. That is correct. And also this approach is
10 consistent with how we filed the case where we
11 excluded pension and benefits from AMS re-allocation
12 adjustment and included them in pension benefits on a
13 pro forma basis. We applied it consistently
14 throughout.

15 Q. And look at your 55.3, Schedule 1, and how
16 long has it been Ameren's practice of recording
17 pension and benefits related to AMS labor to Account
18 920?

19 A. I believe it has been that practice ever
20 since AMS was formed, is my understanding.

21 Q. So as long as you can remember it?

22 A. Yes.

1 Q. Looking at 55.3, Schedule 1, line 11,
2 looking at page 1 of 3, we are looking at CILCO here,
3 the amount that you are showing as pension and
4 benefits per company, the 16,260, that's coming from
5 AmerenCILCO's Schedule C1, correct?

6 A. Correct.

7 Q. And go -- look at page 2 of 3 and 3 of 3,
8 now it's line 12, the amounts for CIPS and IP
9 respectively, they are also coming from Schedule C1,
10 correct?

11 A. Correct.

12 Q. And the account number associated with
13 those dollars is 926, correct?

14 A. Yes.

15 Q. And it is possible to trace those amounts
16 before pro forma adjustments and jurisdictional
17 allocators to the FERC Form 1 Account 926 for 2004,
18 correct?

19 A. Could you repeat the question again,
20 please?

21 Q. If we needed to, you could trace the
22 amounts before the pro forma adjustments and the

1 jurisdictional allocators to the FERC Form 1 Account
2 926 for 2004, is that correct?

3 A. Before the pro forma adjustments, yes.

4 Q. And the jurisdictional allocators?

5 A. Correct. As I recall, we applied the
6 entire pro forma adjustment for pension benefits to
7 Account 926, Schedule C1. A portion of the dollars
8 are actually residing in Account 920.

9 Q. Would you agree then that the amounts
10 included for AMS employee -- strike that.

11 Would you agree then that the amounts
12 included for AMS employees pension and benefits would
13 not be included in that amount from Account 926 since
14 they are recorded to Account 920?

15 A. No. As I just stated, our pro forma
16 adjustment, as I recall, was recorded entirely on 926
17 on Schedule C1, but that particular adjustment
18 included the AMS portion of pension and benefit
19 loadings that would reside in Account 920.

20 Q. Have you removed the AMS pension and
21 benefit costs from Account 920 in your proposed
22 revenue requirement?

1 A. We removed the AMS pension and benefits
2 expense in our AMS re-allocation workpaper, yes.

3 Q. Do you have Ameren's response to BCJ-3.07
4 in front of you?

5 A. No.

6 (Whereupon a document was
7 presented to the witness.)

8 Q. Do you have in front of you Ameren's
9 response to BCJ-3.07?

10 A. Yes, I do.

11 Q. Attached to that, the second page there,
12 there is a reference to WPC -- strike that.

13 The question asks, "Provide the
14 documents and workpapers relied upon to derive the
15 amounts in the following columns of AmerenCILCO
16 workpaper WPC-2.6B." And that second page there, is
17 that the AMS re-allocation workpaper?

18 A. Yes.

19 Q. Okay. Looking at that workpaper there,
20 what's the amount in the column -- do you see Account
21 920 there?

22 A. Yes.

1 Q. And if you go over to the column where it
2 says "remove pension and benefits," there is an
3 amount there of 1,075,384, do you see that?

4 A. Yes.

5 Q. Actually, it is 1,075,384. Would you agree
6 that amount represents the difference between the
7 2004 actual pension and benefits level and the
8 annualized 2005 level based on six months ended
9 10/31/2005?

10 A. Yes, that's correct. That's what I have on
11 my workpapers supporting my rebuttal testimony.

12 Q. So what was in fact removed in your
13 workpaper, would you agree, is simply the adjustment
14 that it would have restated the 2004 level to the
15 analyzed 2005 level?

16 A. No. This is the removal of pension benefit
17 loadings from Account 920. The fact that the amounts
18 for the annualized six-month period are lower than
19 actual 2004 is why it is showing up as a positive
20 number here. But this is the actual removal of those
21 pension benefit costs.

22 Q. This workpaper here, wasn't the purpose of

1 it to restate the 2004 to the 2005 levels?

2 A. Well, this workpaper here is a revised
3 workpaper for correction. But the original workpaper
4 was and then this revision to the original
5 workpaper's purpose was to state costs to do the May
6 through October 2005 annualized levels and also to
7 remove pension and benefit costs from the equation
8 since those costs were being adjusted separately. We
9 had explained in a separate --

10 Q. I am sorry, there is not a question
11 pending.

12 Do you have your workpaper for Exhibit
13 55.3, Schedule 1?

14 A. Yes.

15 MR. FEELEY: Actually, I am going to mark this
16 as Staff Cross Exhibit 3.

17 (Whereupon ICC Staff Cross
18 Exhibit 3 on Rehearing was
19 marked for purposes of
20 identification as of this date.)

21 Q. Do you have Staff Cross Exhibit 3 on
22 Rehearing which is WP-Exhibit 55.3, Schedule 1?

1 A. Yes.

2 Q. In front of you, okay. Do you see the
3 column that says Actual Year Ended 12/31/2004?

4 A. Yes.

5 Q. And for CILCO do you see the number
6 2,744,236? Do you see that there?

7 A. Yes.

8 Q. What does that number represent?

9 A. That represents the pension and benefit
10 loadings, pension and benefit expenses related to
11 AmerenCILCO's direct and allocated share of AMS
12 employee costs that were recorded in 2004 on an
13 actual basis.

14 Q. And then the next column over only
15 1,075,384 is removed, correct?

16 A. That's the difference between 2004 and '05.
17 So that's a variance column.

18 Q. So when you say variance, it is the
19 difference between, was it, '04 to '05 or '05 to '06

20 A. Yes.

21 Q. Which?

22 A. We are removing on the workpaper that you

1 provided to me -- after we calculated the difference
2 between '04 and '05 data, we are then making the
3 adjustments removing those costs. So that was the
4 process. We could have accomplished the same thing
5 by removing 2,744,000 from the fourth column,
6 1,668,000 from the annualized May through October '05
7 and have a two-step process. We have got a one-step
8 process on this workpaper where we removed only the
9 change. So we fully remove the dollars.

10 Q. But you only removed the change from one
11 year to the next. You didn't remove the starting
12 point, the base point?

13 A. We removed the -- mathematically we get to
14 the same result. We did it in a one-step process.
15 We fully removed the cost. Mathematically, it has
16 the same effect as removing 2,744,000 from the '04
17 column, 1,668,000 from May to October '05, the
18 annualized column. It could have been done in two
19 steps and maybe it would have been clearer if we had
20 done that. It is very clear when you look at IP on
21 their workpaper because IP did not have any recorded
22 in 2004.

1 Q. I am sorry. On Staff Cross Exhibit 3 on
2 Rehearing, that 1,075,384, that traces out to the
3 second page of the company's response to BCJ-3.07,
4 correct?

5 A. Yes.

6 MR. FEELEY: At this time I will mark for
7 identification Staff Cross Exhibit 4 on Rehearing,
8 the company's response to BCJ-3.07.

9 And those were previously handed out.
10 I will get a copy for the court reporter. Your
11 Honors, do you have a copy of that? I think you do.
12 It is BCJ-3.07.

13 (Whereupon ICC Staff Cross
14 Exhibit 4 on Rehearing was
15 marked for purposes of
16 identification as of this date.)

17 MR. FEELEY: One second. Could I have just a
18 few minutes? I need to mark some exhibits. Just
19 like five minutes and then I am almost done.

20 JUDGE ALBERS: Try to keep moving.

21 MR. FLYNN: This has gone on so long, I don't
22 remember Mr. Altenbaumer any more.

1 JUDGE ALBERS: While we are waiting, do you
2 need a drink of water or something?

3 THE WITNESS: I think I will.

4 (Whereupon the hearing was in a
5 short recess.)

6 MR. FEELEY: I am going to mark for
7 identification Staff Cross Exhibit 5, company's
8 response to BCJ-3.03 and Staff Cross Exhibit Number 6
9 on Rehearing, company's workpaper WPC-2.3.3 which is
10 a two-page document.

11 (Whereupon ICC Staff Cross
12 Exhibits 5 and 6 were marked for
13 purposes of identification as of
14 this date.)

15 BY MR. FEELEY:

16 Q. Mr. Stafford, do you have in front of you
17 what's been marked for identification as Staff Cross
18 Exhibit Number 5 on Rehearing which is company's
19 response to BCJ-3.03, and Staff Cross Exhibit Number
20 6 on Rehearing which is a workpaper for AmerenIP,
21 WPC-2.3.3? Do you have those in front of you?

22 A. Yes.

1 Q. And are those documents similar or show the
2 same type of adjustment related to AMS pension that
3 was marked as Staff Cross Exhibit Number 4 which was
4 for CILCO?

5 A. Yes.

6 Q. If I could just have a few more questions,
7 almost done.

8 Your testimony, page 19, your
9 rebuttal, see your testimony there at lines 421 to
10 426?

11 A. Yes.

12 Q. You discuss adjustments to the FERC Form 1
13 amount to remove certain expenses that were not
14 adjusted in the Ameren Illinois utilities original
15 filing, correct?

16 A. Correct.

17 Q. And did the Ameren utilities have costs
18 similar to these in 2004? And by these I mean the
19 ones, the five, that you set out in your testimony.

20 A. Yes.

21 Q. Do you have Schedule C-11.3 in front of
22 you?

1 A. No.

2 (Whereupon a document was
3 presented to the witness.)

4 Q. Do you have in front of you Schedule
5 C-11.31 each for CILCO, CIPS and IP?

6 A. Yes.

7 Q. You were the sponsor of those schedules,
8 correct?

9 A. Yes.

10 Q. And is it correct that according to
11 Schedule C-11.3 for CILCO and CIPS that those types
12 of expenses, and by those I mean the ones that you
13 addressed at lines 421 through 426, were included in
14 the companies' revenue requirements?

15 A. Yes, yes.

16 Q. And if you could look at the Schedule
17 C-11.3 for IP, do you have that in front of you?

18 A. Yes, I do.

19 Q. And page 2 of that stapled document, do you
20 see the line number 11, it says Other Employee
21 Benefits or, I am sorry, Other Employee Activity?

22 A. Yes.

1 Q. I am sorry, it is on the last page of that.

2 A. Yes, I have got it.

3 Q. So WP -- do you see where it shows in Other
4 Employee Activity an amount of 218,233?

5 A. Yes.

6 Q. Would it be reasonable to expect those same
7 types of costs, and by those I mean the ones that you
8 discuss in your testimony, to be included in that
9 total?

10 A. They would likely be included in that
11 total, yes.

12 Q. That amount on that last page of the
13 193,178, do you see that?

14 A. Yes.

15 Q. How does that show up on the first page of
16 your Schedule C-11.3?

17 MS. EARL: I am sorry, which number are we
18 referring to?

19 MR. FEELEY: The Other Employee Activity,
20 Electric Distribution Amount of 193,178.

21 MS. EARL: On which schedule?

22 MR. FEELEY: WPC-11.3C which was handed to him.

1 Yeah, it's the last page of this stapled document.

2 A. It shows up as a line called Gas
3 Operations. I don't think that's a correct
4 description, given the back page, but that's what's
5 it is showing up as on the first page.

6 Q. So you think that's a misnomer in the
7 description?

8 A. Well, I believe it is, given what's stated
9 on the last page, yes.

10 Q. Because if they were gas costs, they
11 shouldn't be showing up in this case then, correct?

12 A. Correct.

13 Q. One final question. If you would go to
14 your 55.0, page 30, lines 279 -- or, I am sorry, 679,
15 starting at 679?

16 A. Yes.

17 Q. Do you see where you ask yourself the
18 question "Is Mr. Lazare correct when he says that
19 ratepayers did not receive any remuneration for the
20 spin off of generation"?

21 A. Yes.

22 Q. And then you comment and in your answer

1 there you don't give a yes or no answer to that, do
2 you?

3 A. I didn't state yes or no in the answer,
4 that is correct.

5 Q. So did ratepayers receive any remuneration
6 for the spin off of generation?

7 A. They didn't receive direct remuneration.
8 They did receive indirect remuneration.

9 MR. FEELEY: All right. That's all the cross
10 for Mr. Stafford. We have several cross exhibits
11 that we would move to admit into evidence, Staff
12 Cross Exhibit Numbers 1 through 6 on Rehearing.

13 JUDGE ALBERS: Is there any objection?

14 MS. EARL: No.

15 JUDGE ALBERS: Hearing no objection, then Staff
16 Cross Exhibits 1 through 6 on Rehearing are admitted.

17 (Whereupon ICC Staff Cross
18 Exhibits 1 through 6 were
19 admitted into evidence.)

20 JUDGE ALBERS: Does IIEC or AG have any?

21 MR. ROBERTSON: I have -- I think with regard
22 to this witness the company has agreed to allow me to

1 put in some workpapers in lieu of cross examination.
2 Data responses.

3 I guess, Your Honor, if you don't mind,
4 based on a conversation I had with the company
5 attorney, I am just going to ask the questions that
6 would be related to the data requests because they
7 remain.

8 CROSS EXAMINATION

9 BY MR. ROBERTSON:

10 Q. I would like to show you for the purpose of
11 refreshing your recollection, Mr. Stafford, what the
12 reporter is pleased to mark as IIEC Cross Exhibit
13 Number 1 -- I am sorry, I am not going to do it that
14 way.

15 I would like to show you a copy of
16 your response to IIEC Data Request 3R-3.

17 A. I have that.

18 Q. And am I correct in interpreting this
19 response that you were not able to provide a specific
20 summary or quantification of those services that were
21 determined by -- from AMS that were determined not to
22 be valuable and prudent to each operating company?

1 A. Correct.

2 Q. Now, I want to show you also IIEC -- your
3 response to IIEC Data Request 3R-4, and I would like
4 to know whether or not you understand this data
5 request to mean that in response to an inquiry that
6 the company provide the percentage of service charges
7 associated with services provided by AMS that were
8 determined to be valuable and prudent, the company
9 was not able to provide a quantification on a
10 percentage basis of such services?

11 A. Correct.

12 Q. Now, I would like the reporter to mark, if
13 the company has no objection, the response to IIEC
14 Data Request 2R-2a and b, as IIEC Cross Exhibit
15 Number 1 on Rehearing and ask you whether or not that
16 is your response to IIEC Data Request 2R-2a and 2b?

17 (Whereupon IIEC Cross Exhibit 1
18 on Rehearing was marked for
19 purposes of identification as of
20 this date.)

21 A. That's correct.

22 MR. ROBERTSON: I have no further cross

1 examination. I would move the admission of IIEC
2 Cross Examination Exhibit Number 1.

3 JUDGE ALBERS: The other two you handed out I
4 assume were for reference purposes?

5 MR. ROBERTSON: The other two, I was going to
6 use them for exhibits. I decided not to. I don't
7 need them. They were only records.

8 JUDGE ALBERS: That's fine. Any objection to
9 the admission of IIEC Cross Exhibit 1 on Rehearing.

10 MS. EARL: No, Your Honor.

11 JUDGE ALBERS: No objection; they are admitted.
12 (Whereupon IIEC Cross Exhibit 1
13 on Rehearing was admitted into
14 evidence.)

15 JUDGE ALBERS: Anything further from IIEC?

16 MR. ROBERTSON: No, sir.

17 JUDGE ALBERS: Mr. Garg?

18 MR. GARG: The People don't have any cross for
19 Mr. Stafford.

20 JUDGE ALBERS: Ms. McKibbin, do you have any
21 questions?

22 MS. MCKIBBIN: No.

1 JUDGE YODER: Mr. Stafford, I have one question
2 and Mr. Albers has perhaps a few.

3 EXAMINATION

4 BY JUDGE YODER:

5 Q. If you would direct attention to your
6 rebuttal testimony on rehearing, page 2, the
7 discussion about the amounts included in the November
8 21 order of actual pension and benefits expense, it
9 is approximately line 37 to 43. And you indicate, "I
10 believe all the parties are in agreement with the
11 amount that was included in the November 21 order was
12 incorrect and needs to be changed," is that correct?

13 A. Yes.

14 Q. What amount -- or if you can direct me in
15 your exhibits exactly which amounts is it that Ameren
16 is suggesting for each company? And you indicate
17 Staff and Ameren are not in agreement as to whether
18 or not they should be included, is that correct?

19 A. Correct. The amount shows up on
20 Respondents' Exhibit 55.3.

21 Q. Okay, line?

22 A. Line 10, line 10 for AmerenCILCO, page 1,

1 line 10 for CILCO. Page 2, line 11 for AmerenCIPS.

2 And page 3, line 11, for AmerenIP.

3 Q. Okay. Each of those lines indicate pension
4 and benefits expense per staff after corrections?

5 A. Yes.

6 Q. So those are the amounts staff is
7 suggesting or those are the amounts that --

8 A. Staff made an original recommendation. We
9 corrected it on this schedule.

10 Q. Okay. Those are your corrections to
11 Staff's suggestions?

12 A. Yes.

13 JUDGE YODER: Thank you. I don't have anything
14 further.

15 JUDGE ALBERS: Okay.

16 EXAMINATION

17 BY JUDGE ALBERS:

18 Q. Mr. Stafford, could you refer to page 27 of
19 your rebuttal testimony?

20 A. Yes.

21 Q. Around lines 603 through 608 you discuss
22 some other Commission orders that approved the spin

1 off of generation assets?

2 A. Yes.

3 Q. Do you recall those docket numbers? If you
4 don't, that's fine. I could probably find them.

5 A. I have got them. For AmerenCIPS the docket
6 is 99-0398. For Illinois Power the docket is
7 99-0209.

8 Q. -0209?

9 A. -0209. And for CILCO the dockets are
10 02-0140 and 02-0153 consolidated.

11 Q. Would you refer to page -- never mind.

12 JUDGE ALBERS: I think that's all I had. Thank
13 you.

14 Any redirect?

15 MS. EARL: Could I have just a moment to speak
16 to the witness?

17 JUDGE ALBERS: Sure.

18 (Whereupon there was then had an
19 off-the-record discussion.)

20 MS. EARL: Your Honor, I have just one question
21 on redirect.

22

1 REDIRECT EXAMINATION

2 BY MS. EARL:

3 Q. Mr. Adams (sic), do you recall Staff's line
4 of questioning, walking you through a calculation
5 based on a total administrative and general expense
6 number for 2005 that is detailed on Mr. Adams'
7 workpapers?

8 A. I recall Staff taking me through that area,
9 yes.

10 Q. And during that line of questioning you
11 indicated that the total amount that was derived
12 after multiplying the total amount by the allocator,
13 that you indicated that the total had been adjusted
14 for a purchase accounting, is that correct?

15 A. No. I had indicated that the calculation
16 Staff had me do for '05 and '06 would have included
17 purchase accounting and, therefore, would not have
18 been comparable with the surrebuttal amount. For
19 example, I stated that the recalculated amount for
20 2005 subject to check with Staff was 55,789,340 and
21 that would have included purchase accounting. To
22 exclude purchase accounting you would add back \$19

1 million to that total and then that would be 78
2 million which compares against the 68 million amount
3 that the company has in its surrebuttal requested
4 amount.

5 MS. EARL: Okay, thank you. No more questions.

6 JUDGE ALBERS: Do you have any recross?

7 MR. FEELEY: I just have a quick question.

8 RECROSS EXAMINATION

9 BY MR. FEELEY:

10 Q. That purchase accounting adjustment that
11 you suggest, that's for IP, correct?

12 A. That's just for IP, correct.

13 JUDGE ALBERS: Nothing further? Any other
14 recross? Okay.

15 Thank you, Mr. Stafford. With regard
16 to your exhibits, I will request of Ms. Earl, given
17 the errata and then the correction today to
18 Mr. Stafford's rebuttal testimony, could you please
19 provide at some later point in time a clean version
20 of his rebuttal just reflecting all the changes and
21 just file that on e-Docket?

22 MS. EARL: File that on e-Docket, sure.

1 JUDGE ALBERS: Any objection then to any of Mr.
2 Stafford's exhibits?

3 All right, hearing no objection then
4 Respondents' Exhibits 53.0, 53.1 filed on January 24
5 and Respondents' Exhibits 55.0 Revised with
6 Attachments 55.1 through 55.3, are admitted as well.
7 And we will just use the filing day they were filed
8 on.

9 (Whereupon Respondents' Exhibit
10 53.0, 53.1, 55.0, 55.1, 55.2,
11 55.3 were admitted into
12 evidence.)

13 JUDGE ALBERS: All right. Given the hour, why
14 don't we go ahead and break for lunch. And we will
15 add a few minutes then to give Mr. Garg and anyone
16 else a chance to review Ameren's response to the
17 motion. So why don't we return at, say, a quarter
18 after 1:00.

19 MR. GARG: Your Honor, I have one question,
20 Your Honors, procedurally and I bring this up now.
21 It is a matter of just preserving my client's rights
22 when we return.

1 When we return, is it true you will be
2 hearing an oral reply to the company's response and
3 therefore it would not be sort of a back and forth
4 until after the close of the reply, after which if
5 the judges would like to hear further arguments, then
6 it would be that kind of oral arguments.

7 JUDGE ALBERS: Well, let me before I answer
8 that, did anyone else even have a response to the
9 AG's motion that they want to provide?

10 MR. FOSCO: Staff doesn't want to file a
11 written response. We would provide a few comments on
12 the record.

13 JUDGE ALBERS: Mr. Garg, do you want to hear
14 that before you have to give your reply then, to let
15 you think about it over lunch?

16 MR. FOSCO: I could even state that now, Your
17 Honor. It is a very simple position. As we
18 understand the motion, it would allow Mr. Adams'
19 cross on issues other than the one the AG references
20 would go ahead, and with that understanding we don't
21 object to their motion. But we don't take a position
22 because we just have different cross and so we are

1 not impacted and we are not -- our non-objection
2 doesn't indicate that we -- the basis for it doesn't
3 indicate that we agree or disagree with the AG. They
4 have their cross and that's sort of independent and
5 we are not commenting on that.

6 But we have no objection providing we
7 can go ahead today with the balance of the cross on
8 the other issues.

9 JUDGE ALBERS: Mr. Robertson, do you have any
10 response to the motion?

11 MR. ROBERTSON: I am neutral.

12 JUDGE ALBERS: All right, fair enough. So when
13 we get back then, we will hear your oral reply. And
14 if we feel we need anything further, we will ask for
15 it.

16 MR. GARG: Okay, thank you.

17 (Whereupon the hearing was in
18 recess for lunch until 1:15
19 p.m.)

20

21

22

1 (WHEREUPON, the Proceedings were
2 hereinafter stenographically
3 reported by H. Lori Bernardy.)

4 JUDGE ALBERS: We'll get started again, back on
5 the record. When we left we said the first thing we
6 were going to do is hear our replies.

7 Are you ready, Mr. Garg?

8 MR. GARG: Thank you, your Honors. I have
9 three main points to make in my reply to the
10 Company's response. I believe the Companies made
11 three main points in their response.

12 The first is with respect to something
13 the Company says right at the beginning of their
14 response motion. And on that first page, in the
15 first paragraph under the heading "Overview," the
16 Company states:

17 The AG's apparent complaint is that
18 because Mr. Adams discovered a mistake in his
19 exhibits, which he has now corrected, and that --
20 they're stating that because Mr. Adams has now
21 corrected his testimony that there's nothing left to
22 be done. And that's just not how these proceedings

1 work.

2 If that were the case, the Company
3 could come on in, file their tariffs, and call it a
4 day. We'd all go home. We're not just going to take
5 their word for it that because they filed what they
6 say are corrected schedules, that they're also
7 accurate.

8 Our expert needs to look at the
9 schedules that were filed two nights ago. And at a
10 minimum, he should be given an opportunity to examine
11 them, and not just the Revised Testimony but also the
12 schedules and work papers, examine them, come up with
13 discovery, analyze the response to discovery
14 questions and come up with new cross-examination
15 questions.

16 So we're not just going to take their
17 word for it that it's corrected and therefore it's
18 okay.

19 The second point that the Company
20 makes is that they state that the changes they made
21 are not material. Well, our position is that they're
22 extremely -- they're very much so, material.

1 I want to take you through just a few
2 examples in this Revised Testimony to show the
3 inconsistencies. But before I -- and I can only show
4 you a few, because, again, we haven't really been
5 given much time to analyze and to see what all these
6 are.

7 It's been less than a day and a half.
8 Before I take you to the testimony, I just want to
9 make one more point.

10 This piece of testimony is important
11 and relevant. In my motion I cite pages 17 to 20 of
12 Mr. Adams' Direct Testimony that -- his direct --
13 that part of his testimony is in direct response to
14 the study that was ordered by the Commission in their
15 Final Order, on page 67 of the Commission's Final
16 Order.

17 So regardless of what the Parties
18 think about this testimony, whether it's material or
19 not, the Commission, I believe, is very interested in
20 these exhibits, particularly 54.9 and 54.10. And
21 they go to the very basis of whether the Company
22 should in fact be given any more recovery for their

1 A & G expenses at all.

2 So let's go to just two examples. The
3 first, if you go to the black-lined Revised Testimony
4 - again, that was filed two nights ago - and if you
5 go to just page 20 there of the black-lined version,
6 you'll see in lines 446 and 447 that the Ameren
7 Illinois Utilities actually -- have gone from
8 achieving first quartile performance to now achieving
9 above average performance.

10 And we'd like to know what prompted
11 that change. What is the reason for that difference?
12 And our expert would like to ask some questions
13 regarding that.

14 Let's go to the Exhibits that were
15 filed, the revised exhibits and just compare them
16 really quickly to the schedules that were put in
17 place before.

18 So this would be Exhibits 54.9 and
19 54.10. First, the ones that were filed on
20 January 31st, I believe, and then also compare those
21 to the ones that were filed two nights ago. You'll
22 see that the relative positions of AmerenCIPS and

1 AmerenCILCO on those exhibits have changed.

2 So whereas first you had AmerenCIPS at
3 a higher percentage than CILCO, now all of a sudden
4 you have AmerenCILCO a higher percentage than CIPS.

5 Now the reason that's very confusing,
6 in fact the reason it doesn't make any sense at all
7 is because what the Company is claiming to do in its
8 response here is they're saying all they did is they
9 removed pension and benefits from the peer group
10 companies on these charts here 54.9 and 54.10.

11 They're saying all they did was remove
12 pension and benefits expense from the peer group
13 companies, because they've already removed it from
14 the Ameren Companies.

15 Well, if that's the case, then the
16 Ameren Company's position shouldn't have changed at
17 all. It doesn't make any sense that they did. And
18 we would like to ask some questions about it. We'd
19 like to ask some questions, prepare some discovery,
20 and analyze the responses.

21 So those are just two examples. I'm
22 sure my expert is looking at this stuff right now and

1 coming up with quite a bit more.

2 The third thing I want to talk about,
3 the main point I want to make is it relates to the
4 Motion to Strike. And I don't think the Company had
5 any intent to confuse the issue in their response to
6 our motion, but that's in fact what they did.

7 Again, there's two separate -- well,
8 the Motion to Strike deals with a separate expense.
9 The Motion for Continuance, as I just talked about,
10 dealt with the companies removing the pension and
11 benefits from the A&G of the peer group companies on
12 the exhibits.

13 If that's what they did, great. You
14 know, that's -- if it's an error, they spotted the
15 error, that's fine, and then the correction was made;
16 we encourage that.

17 We have no problem with it. We just
18 want to make sure that that's actually what they did
19 and that it's accurate and that we agree with it.

20 The Motion to Strike has to do with
21 the purchase power costs, and, particularly, with the
22 Company's failure to remove the purchase power costs

1 out of the A&G as a percentage of the total O&M for
2 purposes of Exhibit 54.9.

3 Now, if you grant the continuance,
4 that will give the Company an opportunity to make
5 this correction.

6 But, this is an error. And the error,
7 again, is the Company's failure to remove purchase
8 power from the A&G as a percentage of total O&M for
9 purposes of Exhibit 54.9.

10 This is an error that Mr. Adams
11 actually admitted making in his Rebuttal Testimony.
12 He admitted making that error. They filed Revised
13 Testimony two nights ago, forty hours before this
14 hearing, and the correction still wasn't made. So
15 it's still there.

16 And, you know, in conclusion -- my
17 point is if you go forward with -- if you allow the
18 Company -- if the Court allows the Company to go
19 forward with this testimony, the AG's office is
20 materially prejudiced.

21 If you're going to -- if the Court is
22 going to allow -- is not going to grant the

1 continuance, then the testimony must be stricken.

2 If the Commission is going to grant
3 the continuance, then we would of course withdraw our
4 Motion to Strike on the condition of course that the
5 correction is made before Mr. Adams takes the stand.

6 If the question were not to be made
7 and Mr. Adams were to take the stand, we would of
8 course then move to strike because his testimony
9 would not be true and correct to the best of his
10 knowledge since it's an error that he's admitted to.

11 And with that, I just ask that all
12 we're here to do is ask for more time, and we just
13 ask that you grant our Motion for Continuance, and we
14 provided a schedule in our Motion.

15 Thank you.

16 JUDGE ALBERS: Thank you.

17 (Whereupon a short recess was
18 taken.)

19 JUDGE ALBERS: Judge Yoder and I agree that
20 we'll grant your Motion to the extent that we'll
21 allow you to conduct further discovery concerning
22 Mr. Adams' new information.

1 However, we don't think the schedule
2 can afford the amount of time that you suggested.
3 And the overall schedule cannot afford the time you
4 suggested in your Motion.

5 And, therefore, we would like for you
6 all to come back next Wednesday to hear
7 cross-examination of Mr. Adams. Of course, we should
8 check with Mr. Adams' availability and whatnot, but
9 that's our general thought.

10 MR. FOSCO: Your Honor, would it be permissible
11 for Staff to attend via phone?

12 JUDGE ALBERS: I'm sorry?

13 MR. FOSCO: Would it be possible to attend via
14 phone for Staff Counsel?

15 JUDGE ALBERS: I assume you still want to
16 conduct most of your cross today?

17 MR. FOSCO: Oh, right, correct. Yeah. In
18 fact, we would not anticipate having any additional
19 cross, but if we did it would only be a question.

20 And I don't think we'd have anything.

21 MS. McKIBBIN: Also, the Citizens Utility Board
22 doesn't anticipate having any cross of Mr. Adams, and

1 we would appreciate to be able to listen in by phone
2 as well.

3 JUDGE YODER: The problem with that is
4 somebody has to come up with a call-in number.

5 MR. FLYNN: Mr. Adams is available next
6 Wednesday morning.

7 And would we also be holding the
8 briefing dates?

9 JUDGE ALBERS: Yes.

10 MR. FLYNN: Great.

11 MR. GARG: Thank you.

12 JUDGE ALBERS: Okay, with that we'll --

13 JUDGE YODER: What time on Wednesday would we
14 do that? What's your preference, like 9:30, 10:00?

15 MR. GARG: Your Honors, then for the Parties to
16 work out this discovery schedule, do you just want us
17 to deal with that or would you like to assert a
18 two-day turnaround?

19 We can get our discovery out by
20 tomorrow afternoon.

21 JUDGE ALBERS: Why don't I suggest at some
22 point you and Mr. Flynn sit down and discuss that and

1 then come back before the hearing is over today.

2 MR. FLYNN: All right, and the rest of the
3 Motion is denied?

4 JUDGE ALBERS: Yes.

5 MR. FLYNN: And I assume or would hope rather -
6 I won't assume anything - that the scope of discovery
7 relates to the matters of which the AG is complaining
8 in this Motion and not additional matters?

9 MR. GARG: It will be the revised file.

10 JUDGE ALBERS: Yes. Any further discovery will
11 be limited to the information provided Tuesday
12 evening, or whatever day that was it came out.

13 JUDGE YODER: The 6th?

14 JUDGE ALBERS: The 6th, okay. I didn't hear
15 you. Is 9:30 all right?

16 MR. FLYNN: 9:30 works. There is that day --
17 I've been informed that there are status hearing in
18 the rate design investigation that the Commission
19 just ordered for ComEd and the Ameren Utilities.

20 That does not present a problem for
21 us. We can cover both. I don't know about other
22 Parties.

1 MR. GARG: One of our other attorneys will
2 cover it.

3 JUDGE ALBERS: Do you know what time those
4 were?

5 MS. McKIBBIN: 10:00.

6 MR. FLYNN: Well, maybe we'll be done by 10.
7 If Mr. Feeley is not here, it's possible.

8 JUDGE YODER: Mr. Adams, I trust you've already
9 been sworn; is that correct?

10 THE WITNESS: I have.

11 JUDGE YODER: Please proceed.

12 MICHAEL J. ADAMS,
13 having previously been duly sworn by the
14 Administrative Law Judge, witnesseth and saith as
15 follows:

16 DIRECT EXAMINATION

17 BY MR. FLYNN:

18 Q. Good afternoon. Would you please state
19 your name for the record?

20 A. Michael Adams.

21 Q. Mr. Adams, by whom are you employed?

22 A. Navigant Consulting, Incorporate.

1 Q. And in the course of your duties with
2 Navigant Consulting, have you prepared certain
3 testimony and exhibits to be submitted in this
4 proceeding?

5 A. I have.

6 Q. Sir -- Mr. Adams, I show you a copy of what
7 has been previously marked as Respondent's
8 Exhibit 54.0 Revised bearing the caption "Direct
9 Testimony on Rehearing of Michael J. Adams" and filed
10 on e-Docket on March 6th.

11 Is this a copy of your Direct
12 Testimony in this proceeding?

13 A. It is.

14 Q. And is that testimony now true and correct
15 to the best of your knowledge?

16 A. With one minor change. On page 18 --

17 Q. Yes.

18 A. -- (continuing) line 412 the word direct
19 should be Surrebuttal.

20 JUDGE YODER: Say that again, please.

21 THE WITNESS: Line 412 on page 18, direct
22 should be Surrebuttal.

1 MR. FLYNN: We'll provide a copy of that to the
2 reporter with the change marked if you want or we can
3 file it again on e-Docket. It's your preference,
4 Judge.

5 JUDGE YODER: Why don't you go ahead and file
6 it.

7 MR. FLYNN: We will, fine. Second Revised then
8 will be the exhibit that we're offering.

9 BY MR. FLYNN:

10 Q. In the course of your Direct Testimony, do
11 you sponsor certain exhibits?

12 A. Yes, I do.

13 Q. All right. And I'm going to list those one
14 by one because there are multiple e-Docket filing
15 dates.

16 Did you prepare the following Exhibits
17 or were they prepared by you or under your direction
18 and supervision: Respondent's Exhibit 54.1 filed on
19 e-Docket on January 24. 54.2 filed on e-Docket on
20 January 31. 54.3, 54.4, and 54.5 filed on e-Docket
21 on January 31st.

22 54.6, 54.7, and 54.8 filed on e-Docket

1 on January 24th. 54.9 and 54.10 filed on e-Docket on
2 March 6th. 54.11 filed on e-Docket on January 25.
3 And 54.12 and 54.13 filed on e-Docket on
4 January 31st.

5 A. Yes, I did.

6 Q. And are those exhibits true and correct to
7 the best of your knowledge as filed on e-Docket on
8 the dates specified?

9 A. Yes.

10 Q. Did you also cause Rebuttal Testimony to be
11 submitted in this proceeding?

12 A. Yes, I did.

13 Q. I show you a copy of what's been previously
14 marked as Respondent's Exhibits 56.0 bearing the
15 caption "Rebuttal Testimony on Rehearing of
16 Michael J. Adams."

17 Is this a copy of your Rebuttal
18 Testimony?

19 A. Yes, it is.

20 Q. Is it true and correct to the best of your
21 knowledge?

22 A. With the one change that was per an amended

1 Data Request Response, page 11.

2 Q. Yes.

3 A. At line 226.

4 Q. Okay.

5 A. The word "primarily" would be inserted
6 between G and in, so it was G in the first. And then
7 insert and second floor tiles is now plural.

8 And then each of the exhibit numbers
9 which are referenced will be followed by revised.

10 Q. All right.

11 MR. FLYNN: We will submit this afternoon a
12 Revised Exhibit 56 that reflects these changes.

13 BY MR. FLYNN:

14 Q. Did you also prepare or have prepared under
15 your direction and supervision Respondent's Exhibit
16 56.1 filed on e-Docket on March 6th?

17 A. Yes.

18 Q. And 56.2 filed on e-Docket on
19 February 28th?

20 A. Yes.

21 Q. And are 56.1 and 56.2 true and correct to
22 the best of your knowledge?

1 A. They are.

2 MR. FLYNN: At this point, I would move for the
3 admission into evidence of Exhibits 54.0 through
4 54.13 as they've been indicated to have been revised
5 by Mr. Adams and as filed on the dates on e-Docket
6 specified, and Exhibits 56.0 through 56.2 also
7 revised as indicated by Mr. Adams and filed on the
8 dates specified.

9 JUDGE YODER: Okay. We'll take that under
10 advisement at the end of any cross and perhaps we'll
11 take it up on Wednesday after the cross on the
12 portion that was revised.

13 So we'll probably have to clean that
14 all up on Wednesday.

15 MR. FLYNN: Thank you.

16 JUDGE YODER: He's tendered for cross for
17 anything except for the part that was revised?

18 MR. FLYNN: He is tendered for cross on
19 whatever he may be crossed on today.

20 MR. FOSCO: Your Honors, Staff is ready to
21 begin cross. And it's similar to Mr. Stafford
22 although not nearly as long. I think the total will

1 be well under a half hour.

2 CROSS-EXAMINATION

3 BY MR. FOSCO:

4 Q. Good afternoon, Mr. Adams. My name is
5 Carmen. I'm one of the attorneys representing Staff
6 and I have some questions.

7 Do you happen to have with you a copy
8 of the Company's Response to data request PL-10.33?

9 A. I do not.

10 MR. FOSCO: I don't plan on introducing this,
11 but I am going to show it to the witness.

12 JUDGE YODER: Off the record for just a second.

13 (Discussion off the record.)

14 JUDGE YODER: Did you want this marked?

15 MR. FOSCO: No. I do not plan on introducing
16 it.

17 BY MR. FOSCO:

18 Q. Mr. Adams, do you have in front of you the
19 document that I just submitted to you, the response
20 to PL-10.33?

21 A. Yes.

22 Q. Was that a data request that you

1 prepared -- a response that you prepared?

2 A. Yes.

3 Q. And that data request asked you some
4 questions about the Commission's November 21, 2006
5 order; is that correct?

6 A. Yes.

7 Q. And in particular that data request asked
8 some questions about the Commission's direction that
9 the Ameren Companies shall provide an analysis of the
10 services provided by Ameren Services to all Ameren
11 Companies and provide details on how these costs are
12 allocated among the companies; is that correct?

13 A. Yes.

14 Q. And the first question, part A was if the
15 Ameren Companies believe that they have provided in
16 rehearing an analysis which satisfies this question;
17 is that correct?

18 A. Yes.

19 Q. And was your answer to that question that
20 yes, and you pointed in your response to the exhibits
21 attached to your testimony as Exhibits 54.6 and 54.7?

22 A. As part C, yes.

1 Q. Okay. Do you have available to you your
2 Exhibits 54.6 and 54.7?

3 A. Yes, I do.

4 Q. Okay. If you could refer to page ten, line
5 647 of 54.6?

6 A. Which line, I'm sorry?

7 Q. Line 647. Well, let me back up just to
8 clarify.

9 Exhibit 54.6 lists various costs; is
10 that correct or costs that were active for the AMS?

11 A. AMS charges, yeah.

12 Q. And 54.7 is a list of allocations or
13 allocation factors.

14 A. That is correct.

15 Q. And on line 647 on page ten, there is a
16 service request identified as power plant software
17 expenses; is that correct?

18 A. Yes.

19 Q. And it's roughly in the amount of 39,000;
20 is that correct?

21 A. Yes.

22 Q. Can you describe what this software expense

1 is?

2 A. I cannot.

3 Q. Can you explain why CIPS and CILCO were
4 allocated software expenses that are labeled as power
5 plant software?

6 A. As the exhibit shows, they utilize an
7 allocator identified as 017C which is based upon a
8 number of projects, active and closed, all projects.
9 And that allocation methodology would have been
10 approved in the General Services Agreement.

11 And not knowing exactly the nature of
12 that particular software package, all I can say is
13 that they allocated in the nature that was allowed in
14 the General Services Agreement.

15 Q. So you don't know why they received that
16 particular allocation? You just know there's an
17 allocator that says how much was allocated; is that
18 correct?

19 A. It would have been per the Service Request
20 Manual for that particular service.

21 Q. Isn't it true that CIPS and CILCO had
22 divested themselves of their production facilities as

1 of 2004?

2 A. They both have, but CILCO in particular
3 still has some yet.

4 Q. And would you agree that it's not
5 appropriate for any production costs to be allocated
6 in this delivery service tariff proceeding?

7 A. If that is in fact a production cost. We
8 don't know the nature of that software cost.

9 Q. Turning to page one of Exhibit 54.6, line
10 21, there's a service request identified as data
11 operations hyphen open systems support totaling 3.2
12 million.

13 Do you see that?

14 A. I'm sorry, can you give me that reference
15 again?

16 Q. Sure. Line 21 of page one of Exhibit 54.6.

17 A. Okay.

18 Q. The item is data operations-open systems
19 support. Do you see that?

20 A. Yes.

21 Q. Do you know what these particular costs are
22 for?

1 A. It would be something in the nature of IT
2 costs.

3 Q. Where -- where did you -- Exhibit 54.6,
4 where did it come from? Was it a printout provided
5 to you by the Company?

6 A. No, I didn't get it from the Company
7 systems.

8 Q. So this is just a system printout is what
9 Exhibit 54.6 is?

10 A. It's a summary of Ameren services charges
11 by service request.

12 Q. Did you -- in preparing your testimony, did
13 you make any study of exactly what each of these
14 costs items were? Or did you just accept them at
15 face value?

16 A. To some extent, we went through especially
17 basically up to a half-million dollars looking at the
18 service requests, and looking at some of the
19 identification, the description for the service
20 request. And then for some of them I looked into
21 them for more detail.

22 Q. Okay. You did not for this one, the

1 line 21?

2 A. I did not.

3 Q. How many did you look at in more detail, is
4 it 10 percent would you say?

5 A. Twenty percent or so.

6 Q. Twenty percent. If you could go down to
7 line 61, and, again, that identifies a service
8 request as software depreciation for the Illinois
9 deregulation project; do you see that?

10 A. Yes.

11 Q. And that's for an amount 1.26 million; is
12 that correct?

13 A. Yes.

14 Q. Can you describe this software being
15 depreciated?

16 A. I cannot.

17 Q. Then could you go down to line 66, where
18 there's a service request identified as Oracle
19 software implementation, in parens (expense item); do
20 you see that?

21 A. What line?

22 Q. Line 66.

1 A. Okay.

2 Q. And that says Oracle software

3 implementation expense item; is that correct?

4 A. Yes.

5 Q. And that's again for an amount of 1.2

6 million; correct?

7 A. Correct.

8 Q. Can you describe the function of this

9 Oracle software?

10 A. It's a financial system.

11 Q. Okay, go to page two, line 120 -- I'm

12 sorry. Strike that. Let me back up.

13 What percentage of the Oracle software

14 costs was allocated to AmGen; can you tell us that?

15 And I guess just to be fair, I'm going to ask you

16 what percentage was also allocated to CIPS and CILCO.

17 A. It looks like 3.336 percent to AmGen.

18 Q. And just for the record is AmGen the column

19 marked GEN, G-E-N?

20 A. Yes.

21 Q. Okay. And that's from Exhibit 54.7?

22 A. Correct. 18.83 percent to CIPS and 18.23

1 percent to CILCO.

2 Q. Can you explain why CIPS and CILCO received
3 a much higher allocation of these particular costs
4 than AmGen?

5 A. It's based upon a composite of various
6 allocators, but I presume it would include the issues
7 such as the number of financial transactions.

8 Q. Do you know that?

9 A. I don't know that for a fact, but that's
10 normally what composites include.

11 Q. Okay, now going down to page two, line 120
12 there's a service request items -- I'll let you get
13 there first.

14 A. (So complied with request.)

15 Q. It's again page two, line 120, there's a
16 service request item identified as stores management,
17 in parens (elec/gas), then MO, which I assume is
18 Missouri, (MO/IL); do you see that?

19 A. Yes.

20 Q. And the total of that is 645,000; is that
21 correct?

22 A. Yes.

1 Q. And can you describe what is covered by
2 that description, what expense?

3 A. Supply management type functions included
4 in the stores function.

5 Q. Okay. And, again, can you allocate the
6 percentage of costs that were allocated to AmGen,
7 CIPS and CILCO?

8 A. Can I tell you the percentages?

9 Q. Yes.

10 A. .15 to AmGen, 22.37 to CIPS and 26.12 to
11 CILCO.

12 Q. And for this particular cost, there's a
13 higher percentage allocated to CIPS and CILCO than
14 there is to AmGen, correct?

15 A. Yes.

16 Q. And can you explain substantively why
17 that's the case?

18 A. Okay, according to the description, it's
19 based on T and D and interchange in Missouri and
20 Illinois. So based upon those per number of
21 transactions for that sale for those particular
22 entities that's what the percentage would be.

1 Q. Is that an assumption by you or had seen
2 some --
3 A. That's what it states.
4 Q. So when you say what it states, you mean
5 what it states in Exhibit 54.7?
6 A. Correct.
7 Q. You don't have any information beyond
8 what's on the face of Exhibit 54.7; is that correct?
9 A. Yes.
10 Q. Again, going to page three this time, line
11 148.
12 A. (So complied with request.)
13 Q. Do you see that there is an expense there
14 listed -- a service request listed, I'm sorry, as
15 lobbying activities allocated?
16 A. Correct.
17 Q. And that's for the amount of 516,000?
18 A. Yes.
19 Q. Can you identify the specific lobbying
20 activities that are covered by this service request?
21 A. I cannot.
22 Q. Can you turn to page 11 now of

1 Exhibit 54.6?

2 A. I don't have page numbers on my notes.

3 Q. Oh, line 702, I'm sorry.

4 A. (So complied with request.)

5 Q. And at line 702, does it identify a service

6 request as Illinois gas rate case Ameren/UE and

7 Ameren/CIPS?

8 A. Yes.

9 Q. And that's for the approximate amount of

10 \$29,000, correct?

11 A. Correct.

12 Q. Can you tell me when Ameren/UE transferred

13 it's Metro East service territory to AmerenCIPS?

14 A. I don't remember the exact date. It would

15 have been early 2005, I believe.

16 Q. All right. Would you agree then that the

17 study that you've presented as Exhibit 54.6 and 54.7

18 assumes that Ameren/UE rather than Ameren/CIPS -- I'm

19 sorry, rather than CIPS owns the Metro East service

20 territory?

21 A. Post 2005, yes.

22 Q. Okay, but your study assumes Ameren/UE

1 still owns that territory, correct, for 2004?

2 A. For 2004, yes.

3 Q. Would it be fair to state that this study
4 then is out of date with respect to allocation of AMS
5 costs pertaining to the Metro East area?

6 A. It reflects 2004 AMS charges which was the
7 question.

8 MR. FOSCO: Your Honor, that's all my
9 questions. But Ms. Scarsella has a few questions and
10 Mr. Feeley.

11 Thank you.

12 THE WITNESS: You're welcome.

13 CROSS-EXAMINATION

14 BY MS. SCARSELLA:

15 Good afternoon, Mr. Adams. I just
16 have a few questions for you concerning Staff Witness
17 Jones' reporting requirements as recommended in her
18 Direct Testimony on Rehearing.
19 If I can refer you to the Direct Testimony on
20 Rehearing at lines 31 through 33

21 Q. There you state that you provide benchmark
22 data relating to the Ameren Illinois' Utilities A&G

1 expenses compared to other energy companies; is that
2 correct?

3 A. Yes.

4 Q. Are you familiar with the Ameren Services
5 Company Service Request Manual?

6 A. Yes.

7 MS. SCARSELLA: May I approach the witness?

8 JUDGE YODER: Yes.

9 (WHEREUPON a document was
10 tendered to the witness.)

11 BY MS. SCARSELLA:

12 Q. I've just handed you what has been admitted
13 as ICC Staff Exhibit -- Cross Exhibit 2 on Rehearing.
14 Can you tell me what that is?

15 A. It's the Ameren Services Company Service
16 Request Manual.

17 Q. Can you turn to page 14 of the manual?

18 A. (So complied with request.)

19 Q. At the end of the first paragraph, the last
20 sentence, isn't it correct that it states in addition
21 to the review process with customers, AMS will
22 establish benchmarking plan to the extent deemed

1 appropriate by senior management of AMC in order to
2 continue to improve the effectiveness of services
3 offered to AMC, the (inaudible) and affiliates and to
4 ensure that the services offered are cost
5 competitive.

6 A. That's what it states.

7 Q. And just for the record AMC stands for
8 Ameren Corporation, correct?

9 A. That's correct.

10 Q. So does Ameren Services Company have an
11 established benchmarking plan?

12 A. That question would be better directed to
13 Mr. Stafford.

14 Q. He directed me to you.

15 A. I don't think he did. I'm not aware of it.

16 Q. You're not aware of the plan?

17 A. No.

18 Q. All right, can I refer you then to lines
19 474 to 480 of your Direct Testimony?

20 A. 471?

21 Q. 474 through 480. There you discuss
22 Ameren's annual participation in and purchase of

1 numerous salary surveys conducted by third-party
2 vendors for the purpose of gathering information
3 about market competitive compensation, correct?

4 A. Yes.

5 Q. Now if I can refer you to line 530 to 538
6 of your Direct Testimony.

7 A. (So complied with request.)

8 Q. There you state that periodic studies are
9 performed of AMS's costs against those of
10 nonaffiliated providers. And you identify several
11 types of services for which AMS has performed
12 studies, correct?

13 A. Yes.

14 Q. Do you consider the salary surveys and
15 comparative studies to be benchmarking efforts by the
16 part of Ameren?

17 A. They are a form of benchmarking, yes.

18 MS. SCARSELLA: That's all I have.

19 And when I say Mr. Feeley has a few
20 more questions for you, I mean it this time.

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CROSS-EXAMINATION

BY MR. FEELEY:

Good afternoon, Mr. Adams. My name is John Feeley. Actually, I do just have a few questions.

Q. If I could direct you to your Rebuttal Testimony, page 15, lines 312 to 316?

A. 315 and 316?

Q. 312 to 316. Do you have that in front of you?

A. I do.

Q. In your testimony there you talk about grossing up the Company's Surrebuttal and A&G expense by appropriate allocator, correct?

A. Yes.

Q. And isn't it also correct you provided some work papers to the parties to support your Exhibit 56.1?

A. I did.

Q. Do you have those work papers?

A. I do not. Those work papers were re-filed as well.

1 Q. And they were provided in Excel format,
2 correct?

3 A. That's correct.

4 MR. FEELEY: May I approach the witness? I
5 only have one set here.

6 (WHEREUPON a document was
7 tendered to the witness.)

8 JUDGE YODER: You're not asking for these to be
9 marked, Mr. Feeley?

10 MR. FEELEY: No.

11 BY MR. FEELEY:

12 Q. I'll explain that these documents that I
13 handed you were provided -- are printouts from an
14 Excel file as work papers supporting your Rebuttal
15 Testimony. And they're identified under a tab as
16 54.15.2 for CIPS, 54.15.3 for CILCO, and 54.15.4 for
17 IP.

18 Subject to check, would you take it
19 that those are your work papers?

20 MR. FLYNN: Did you say they related to
21 Rebuttal Testimony?

22 MR. FEELEY: Yes.

1 THE WITNESS: These are as originally
2 submitted, yes. They do not reflect the revised work
3 papers.

4 BY MR. FEELEY:

5 Q. Did you revise your work papers?

6 A. Yes.

7 Q. And these documents that I handed here --
8 to you here have different account numbers. Did you
9 revise any of those numbers?

10 A. Which column are you in?

11 Q. Well, I'm interested in the total A&G for
12 the years 2005 and 2006?

13 A. Those did not change. The test year was
14 the only column that changed.

15 Q. Okay, the test year column changed. How
16 did that change then?

17 A. Instead of the multipliers, those are all
18 one now, because they were in fact already total
19 electric numbers.

20 Q. The fraction that was whole -- or one and
21 then --

22 A. In place of the number that -- like for

1 instance on Illinois Power, it includes 8852 that is
2 now one. The figures in that column have changed
3 accordingly, they've just been divided by one.

4 So the numbers are all different for
5 all three of the companies in column G.

6 Q. If you could look at those documents that
7 are provided there's a column that's shaded. It's my
8 understanding that was like a -- those were like
9 hidden, a hidden column.

10 Did the numbers in that column change?

11 A. I don't know.

12 Q. I'm sorry?

13 A. I don't know. I'd have to see what those
14 numbers are on the spread sheet.

15 Q. Do you recall having that column and how
16 it's involved in your calculation and how it's
17 related to your test column there?

18 A. I would have to take a look at the live
19 spreadsheet.

20 Q. And do you have that available to you?

21 A. I do not.

22 MR. FEELEY: One second.

1 (Discussion off the record.)

2 BY MR. FEELEY:

3 Q. All right, Mr. Adams, for the work paper
4 that I handed to you for CIPS, would it be correct
5 that if you take the test year column, the total
6 multiplied it by the allocator there of .9174,
7 shouldn't that number equal the total Company's
8 surrebuttal position for A&G?

9 A. If you're asking me to accept that subject
10 to check, I can. I haven't run the calculation.

11 Q. Your test year -- your column there --
12 number there, what does that represent then?

13 A. The test year column by account represents
14 the amount that the Company's asked the question in
15 its Surrebuttal phase of the case.

16 Q. But when you say you grossed up the
17 numbers, what was your point grossing up those
18 numbers?

19 A. It originally was grossed up to make the
20 revised exhibits. The gross up is a factor of one.
21 I mean, so the number is itself.

22 Q. Well, in your revised work papers, does the

1 test year total amount equal the Company's
2 Surrebuttal position?

3 A. Yes.

4 Q. Subject to check, would you agree that your
5 revised work papers show the total A&G amount of
6 36,754,619 for CIPS?

7 A. Where are you referring to?

8 Q. I'm looking at your work papers that you
9 revised -- oh, I'm sorry.

10 I'm looking at your revised work
11 papers that you don't have in front of you, which I
12 have, electronically, subject to check would you
13 agree that the test year amount for A&G for CIPS is
14 5190,018?

15 A. I can accept that subject to check.

16 Q. And subject to check, would you agree your
17 revised papers in the test year column for total A&G
18 shows 40543183?

19 A. For which Company?

20 Q. For CILCO?

21 A. I'll accept that subject to check.

22 Q. Just to be clear: 40543183?

1 A. Subject to check.

2 Q. Okay. And for IP, the test year column for
3 IP shows total A & G of 75875949?

4 A. I accept that subject to check.

5 Q. And for each of those individual companies,
6 is that the Companies's Surrebuttall position for
7 A & G?

8 A. Yeah.

9 Q. I'm sorry?

10 A. Yes.

11 Q. I direct your attention to your Exhibit 56,
12 lines 183 through 185.

13 Do you have that in front of you?

14 A. Yes.

15 Q. And in your testimony there you state the
16 allocation methodologies have been tested and
17 approved by a regulatory agency such as the U.S.
18 Securities and Exchange Commission.

19 Do you see that?

20 A. Yes.

21 Q. Do you know when that testing and approval
22 occurred that you're referring to there?

1 A. It was either 2002 or 2003.

2 Q. And when --

3 A. It may have been both. It may have in fact
4 been both because there was a series of
5 correspondence may have actually covered two years.

6 Q. Okay, do you know what period of time the
7 SEC was testing there?

8 A. I do not.

9 Q. Do you know what year that was CILCO
10 acquired?

11 A. 2003.

12 Q. And when was UE Illinois transferred to
13 CIPS, do you know?

14 A. 2005.

15 Q. So for at least UE Illinois, the testing
16 that you're referring to would have occurred prior to
17 that transfer, correct?

18 A. The testing occurred prior, but the
19 allocators themselves -- I mean, the percentages may
20 have changed, but the allocators themselves have not
21 changed.

22 Q. But UE Illinois was not a part of CIPS at

1 the time when that testing by the SEC occurred; is
2 that correct?

3 A. Say that again, would you?

4 Q. UE Illinois was not a part of CIPS when the
5 SEC testing occurred that you referred to in your
6 testimony, correct?

7 A. That's correct.

8 Q. And you don't know whether CILCO was a part
9 of Ameren Companies at the time of that SEC testing,
10 do you?

11 A. I would doubt it. Again, it wouldn't
12 change the allocation methodology that could change
13 the percentages.

14 Q. Okay. And is it fair to say that there
15 have been significant changes in AMS operations due
16 to the additional companies becoming part of the
17 Ameren Companies?

18 A. I don't know that I would accept that.

19 Q. The acquisition of CILCO was not a
20 significant change in AMS's operations?

21 A. It may have added volume to AMS services,
22 but I don't think the services that AMS provided were

1 drastically different.

2 Q. And what was the most recent testing done
3 similar to what the SEC did just back in 2003, that's
4 it?

5 A. By the SEC?

6 Q. By anyone else? Anyone else since the SEC?

7 A. Well, stern lawyers would probably review
8 it on an annual basis as they do their attestation
9 decree

10 Q. Okay, but from a regulatory or agency type
11 of body, nothing since the SEC?

12 A. I would presume that with each rate case
13 that Missouri Staff would also review it. And I
14 would make the assumption the Illinois Staff would
15 review it as well.

16 Q. Well, do you know: Have there been any
17 rate cases --

18 A. There's one --

19 Q. -- (continuing) in 2003, 2005 and -- but,
20 you know --

21 A. -- (continuing) right now.

22 Q. You're saying they tested it? Or you're

1 just guessing?

2 A. Yeah, as my testimony shows, it's a
3 significant portion of the overall A&G. So I know in
4 fact there were Data Requests on the issue of AMS
5 charges, yes.

6 Q. So -- but are you equating testing to just
7 sending out a Data Request?

8 A. Depending on the nature of the Data
9 Request.

10 Q. Okay. Did you review any of those data
11 requests?

12 A. I reviewed some of them.

13 Q. The data requests that you said you
14 reviewed, has any approval been given by Missouri or
15 anybody or anybody like that as a result of those
16 Data Requests?

17 A. I'm not aware of any specific finding or
18 Order from the Commission stating that AMS charges
19 are appropriate, if that's what you're asking.

20 MR. FEELEY: Thank you, Mr. Adams. That's all
21 that the Staff has for you.

22 THE WITNESS: Thank you.

1 JUDGE YODER: Mr. Robertson, did you have any?

2 MR. ROBERTSON: We do.

3 CROSS-EXAMINATION

4 BY MR. ROBERTSON:

5 Q. Mr. Adams, would you refer to line 419 of
6 your Direct Testimony on Rehearing, Exhibit 54.0.

7 A. (So complied with request.)

8 Q. There you suggest that you removed pension
9 benefits and costs from your analysis because of --
10 one of the reasons you gave was because of the high
11 level of variability in such costs between companies;
12 is that correct?

13 A. Yes.

14 Q. And the analysis you're talking about is
15 your peer group analysis?

16 A. Yes.

17 Q. And you also mentioned you excluded fuel
18 expenses; is that correct?

19 A. Yes.

20 Q. It's my understanding you did not exclude
21 from your analysis any other cost factors with a high
22 degree of variability in defining your peer group; is

1 that correct?

2 A. That is correct.

3 Q. Now, could you please go to 54.8, the
4 exhibit attached to your Direct Testimony on
5 Rehearing.

6 Do you know how many of these
7 companies still own generating assets?

8 A. I do not.

9 Q. Do you know how many of these companies are
10 what they call wires-only companies?

11 A. I do not. I did do a preliminary analysis
12 and the number I came up with was eight wires only.
13 And that was only determined by looking at the level
14 of fuel expenses reported in 2004?

15 Q. When did you do that?

16 A. Within the last two weeks.

17 Q. Is it correct that in response to AG data
18 request 1-5.0, you indicated that you had not done
19 such analysis?

20 A. Yes.

21 Q. Now would you look at lines 470 to 471 of
22 your Direct Testimony on Rehearing, Exhibit 54.0?

1 A. (So complied with request.)

2 Q. Do the compensation surveys conducted by
3 the Ameren Compensation Performance Department and
4 reference here include pension and benefits in the
5 comparison made?

6 A. I don't know for certain. The only
7 information I saw was for salary and wages.

8 Q. Would you please -- I think these are the
9 right references, lines 429 to 438?

10 A. Of the Direct?

11 Q. Of your Direct, yes, sir.

12 In preparation for your
13 cross-examination today, have you made any further
14 analysis or modifications of your peer group
15 analysis?

16 A. No.

17 Q. So the only modifications that you have
18 made are referenced in the revised exhibits that you
19 filed a couple nights ago; is that correct?

20 A. Yes.

21 Q. Now is it also correct that you did not
22 analyze the impact, if any, of the existence of

1 generating assets of -- strike that.

2 Is it also correct that you did not
3 make any determination of the impact of the existence
4 of generating assets which would, might or could have
5 had an impact on the relative positions of the
6 various companies in your peer group vis-à-vis the
7 comparison of A&G expense?

8 A. That's correct.

9 MR. ROBERTSON: Nothing further. Thank you,
10 your Honor.

11 JUDGE YODER: Ms. McKibbin, did you have any?

12 MS. McKIBBIN: No, your Honor.

13 JUDGE YODER: And, Mr. Garg, did you have any
14 cross that you wanted to conduct today?

15 MR. GARG: Nothing today.

16 JUDGE YODER: Okay.

17 Mr. Flynn, do you have any Redirect?

18 MR. FLYNN: I'd like to take a short break if
19 we could?

20 JUDGE YODER: Yes, sure.

21 JUDGE ALBERS: Do I have time for one or two
22 questions?

1 EXAMINATION

2 BY JUDGE ALBERS:

3 JUDGE ALBERS: Referring to your Rebuttal
4 Testimony, line 443?

5 THE WITNESS: Yes, sir.

6 JUDGE ALBERS: Did you mean to say on that that
7 AmGen does not bill distribution customers directly?

8 THE WITNESS: Yes, I did.

9 JUDGE ALBERS: Okay, thank you.

10 On page 31 of your rebuttal, the first
11 Q and A, you discuss certain AMS projects may be
12 confidential.

13 Can you give me a sense of just how
14 many out of the roughly I think there were 1400 on
15 that list, what portion of those might be
16 confidential? And were any of them attributed to the
17 regulated utilities?

18 THE WITNESS: I mean, they may be attributable
19 to three regulated companies. But if they were
20 attributable to companies, they'd have -- I would
21 believe that they would be allocated to the
22 companies.

1 I mean, these tend to be things such
2 as murderers and acquisitions and things like that
3 are confidential and allocated directly to Ameren
4 Corporation and do not get allocated to any other
5 Company.

6 JUDGE ALBERS: Okay. So the confidential items
7 would not be allocated to these three regulators or
8 they may be?

9 THE WITNESS: Depends on the nature of the
10 project. I mean, this particular one was directly to
11 Ameren Corporation. It was not allocated to any
12 other.

13 JUDGE ALBERS: Okay. And then roughly, how
14 often do you think -- what percentage of AMS's
15 projects are confidential in nature? Do you have any
16 idea?

17 THE WITNESS: I don't.

18 JUDGE ALBERS: Okay. Thank you.

19 JUDGE YODER: Do you want to take four - five?

20 (Whereupon a short recess was
21 taken.)

22 JUDGE YODER: All right, back on the record.

1 Mr. Flynn, did you have any Redirect
2 of Mr. Adams?

3 MR. FLYNN: I do have a few questions.

4 REDIRECT EXAMINATION

5 BY MR. FLYNN:

6 Q. Mr. Adams, I believe in a response to a
7 question from one of the Staff lawyers, you indicated
8 that you had looked at projects or service requests
9 on Exhibit 54.6 with a value of up to half a million
10 dollars.

11 Do you recall saying that?

12 A. Yes.

13 Q. Is that what you meant to say?

14 A. No. It's greater than half a million
15 dollars.

16 Q. All right, you looked at projects with a
17 value greater than half a million dollars; is that
18 right?

19 A. Right.

20 Q. Mr. Fosco I believe it was asked you about
21 a project on line 647 of Exhibit 54.6 which is page
22 ten, with a description power plant software

1 expenses. Do you recall him asking you about that?

2 A. Yes.

3 Q. And I believe you said you didn't know at
4 the time what that project was; is that right?

5 A. Yes.

6 Q. Can you explain to him and to the rest of
7 us what that project is now?

8 A. It's a capital asset tracking system.

9 Q. What does power plant mean there?

10 A. It's the name of a system.

11 Q. All right. Does it refer to a specific
12 generating plant?

13 A. No.

14 Q. Is it used by the distribution companies?

15 A. Yes.

16 Q. All right. I believe you were also asked
17 about an item on line 120 of Exhibit 54.6.

18 And hold on I wrote down the wrong
19 reference -- well, it doesn't matter.

20 You were asked about certain lobbying
21 expenses and their allocation; do you recall that?

22 A. Yes, I do.

1 Q. How were lobbying expenses treated in the
2 test year in this case?

3 A. It would be below the line and not included
4 in the revenue account.

5 Q. And how would specific allocation of
6 lobbying expenses then affect the amount of A&G in
7 the test year?

8 A. It would not. It would be excluded.

9 Q. Judge Albers asked you about project PD; do
10 you know what that is?

11 A. It stands for Project Prairie Dog.

12 Q. And what was that?

13 A. The acquisition of Illinois Power.

14 Q. All right. I don't know where the names
15 come from.

16 Refresh your recollection, if you
17 would, how were those costs treated?

18 A. Directly assigned to Ameren Corporation.

19 Q. Were they in the test year then for the
20 distribution companies?

21 A. They were not.

22 Q. All right.

1 MR. FLYNN: That's all the Redirect that I
2 ever. Thank you.

3 MR. FOSCO: Just little bit of Recross.

4 RECROSS EXAMINATION

5 BY MR. FOSCO:

6 Q. Mr. Flynn on Redirect asked you some
7 questions about the power plant software expense
8 items?

9 A. Yes.

10 Q. How did you come to recall what that was?

11 A. I'm used to seeing -- I'm used to seeing it
12 without the Ps, like the power plant if that's what
13 it would have said there.

14 Q. Should it have said power plan?

15 A. Plan, yes.

16 Q. Do you think the "T" is a typo?

17 A. I don't know. I was informed it's actually
18 shown both ways.

19 Q. And who informed you of that?

20 A. Mr. Stafford.

21 Q. Did you know at the time you prepared your
22 testimony whether that that referred to a type of

1 software versus a function?

2 A. Yep.

3 Q. A plan versus distribution?

4 A. Well, I believe it says it's software.

5 MR. FOSCO: Okay. No more questions.

6 JUDGE YODER: Mr. Robertson, did you have
7 anything more?

8 MR. ROBERTSON: No.

9 EXAMINATION

10 BY JUDGE ALBERS:

11 JUDGE ALBERS: But there may be other AMS
12 projects that are confidential in nature that could
13 have costs assessed against the three regulated
14 utilities; is that correct?

15 THE WITNESS: If the allocation is a direct
16 assignment to one of the companies or a combination
17 of those, yes.

18 JUDGE ALBERS: Okay, thank you.

19 JUDGE YODER: Okay. Thank you, Mr. Adams.

20 MR. GARG: Your Honor, you're holding
21 objections to the admission of the testimony.

22 JUDGE YODER: I think that's best for the

1 exhibits, the admission of all the exhibits. When we
2 get the re-revised or whatever exhibits prepared and
3 get everything cleaned up and we'll address
4 everything then on Wednesday.

5 MR. GARG: Okay, thank you.

6 JUDGE YODER: So subject to recall on
7 Wednesday, Mr. Adams.

8 (WHEREUPON, the Witness was
9 excused.)

10 JUDGE YODER: Anything further for Ameren
11 Companies?

12 MR. FLYNN: Not today.

13 MR. FOSCO: Your Honors, Staff would like to
14 proceed now. We actually first would like to call
15 Mr. Struck. We understand that there's no cross for
16 him, but we'd like to put him on and get his
17 testimony.

18 JUDGE YODER: Mr. Struck, I don't believe you
19 were sworn. So, would you raise your right hand.

20 (Whereupon the Witness was sworn
21 by the Administrative Law
22 Judge.)

1 JUDGE YODER: Please proceed, Mr. Fosco.

2 MR. FOSCO: Okay, thank you.

3 SCOTT A. STRUCK,
4 having been first duly sworn by the Administrative
5 Law Judge, witnesseth and saith as follows:

6 DIRECT EXAMINATION

7 BY MR. FOSCO:

8 Q. Mr. Struck, would you please state your
9 name for the record and spell your last name?

10 A. My name is Scott A. Struck. The last name
11 is spelled S-T-R-U-C-K.

12 Q. And, Mr. Struck, did you cause testimony to
13 be prepared and filed in this docket?

14 A. Yes, I did.

15 Q. On Rehearing?

16 A. Yes

17 Q. Okay. And is that document entitled
18 Corrected Direct Testimony on Rehearing of Scott
19 Struck?

20 A. Yes.

21 Q. And does that consist of 13 pages of
22 questions and answers, a cover page, and Schedules

1 25.01 through 25.08, each having separate Schedules
2 for CILCO, CIPS and IP?

3 A. Yes.

4 Q. And is that testimony true and correct to
5 the best of your knowledge?

6 A. Yes, it is.

7 Q. Do you have any modifications or
8 corrections?

9 A. No.

10 MR. FOSCO: Your Honor, we would move -- strike
11 that. One more question.

12 BY MR. FOSCO:

13 Q. And that testimony was filed on e-Docket on
14 February 27th; is that correct?

15 A. Yes.

16 MR. FOSCO: Your Honors --

17 JUDGE YODER: Did you say seven?

18 MR. FOSCO: Twenty-seven, yes, two seven.

19 We would move for admission of ICC
20 Staff Exhibit 25.0 corrected including Schedules
21 25.01 through 25.08.

22 JUDGE YODER: We'll address that subject when

1 we get at the end of any cross.

2 Ms. Earl, did Ameren have any cross of

3 Mr. Struck?

4 MS. EARL: No, your Honor.

5 JUDGE YODER: Miss McKibbin?

6 MS. McKIBBIN: No.

7 JUDGE YODER: Did you have any questions,

8 Mr. Garg?

9 MR. GARG: No.

10 JUDGE ALBERS: Mr. Struck, I'm not sure if

11 you're the appropriate witness to ask this of, but

12 just so I understand --

13 MS. EARL: Could I just have one minute. We

14 might have a question for Mr. Struck. I'm sorry.

15 (Discussion off the record.)

16 MS. EARL: Sorry, no questions.

17 JUDGE YODER: Okay.

18 EXAMINATION

19 BY JUDGE ALBERS:

20 JUDGE ALBERS: Mr. Struck, referring to

21 Mr. Stafford's Rebuttal Testimony, do you have that

22 in front of you? Page two.

1 At the top of page two, you list
2 several areas at least we understand -- you say Staff
3 does not address in its testimony, do you see that?

4 THE WITNESS: Yes.

5 JUDGE ALBERS: Am I to take from that that
6 Staff does not object to those amounts or does Staff
7 still object?

8 THE WITNESS: Staff Witness Jones would be a
9 more appropriate witness to ask about that.

10 However, it's my understanding that
11 these items are taken from an analysis sheet that
12 Mr. Stafford presented that Miss Jones evaluated and
13 discusses in her Direct Testimony.

14 On page ten of my testimony on
15 Rehearing beginning at line 219 I discuss how she
16 testifies that his analysis of expenses that have
17 increased since each of the Ameren Illinois Utilities
18 previous rate cases. This does not justify the
19 request in increases and energy expense, and then I
20 say where in her testimony it talks about that.

21 JUDGE ALBERS: Okay. But as far as you know
22 Staff does still object to those amounts then? You

1 asked me to refer to Ms. Jones --

2 THE WITNESS: I would prefer it. I would

3 prefer you refer to Miss Jones.

4 JUDGE ALBERS: Thank you. That's all I have.

5 JUDGE YODER: Any objection to the admission of

6 Staff Exhibit 25 Corrected?

7 MS. EARL: No objection.

8 JUDGE YODER: Mr. Garg?

9 MR. GARG: No objection.

10 JUDGE YODER: Miss McKibbin?

11 MS. MCKIBBIN: No.

12 JUDGE YODER: Staff Exhibit 25 Corrected along

13 with Exhibits 25.01 through 25.08 CILCO, CIPS, and IP

14 be admitted into evidence in this Docket.

15 MR. FOSCO: Thank you.

16 (Whereupon ICC Staff

17 Exhibit Numbers 25

18 Corrected, 25.01 through

19 25.08 CILCO, CIPS, and

20 IP were admitted into

21 the record.)

22 MS. SCARSELLA: Staff calls Burma Jones next.

1 BURMA C. JONES,
2 having previously been duly sworn by the
3 Administrative Law Judge, witnesseth and saith as
4 follows:

5 DIRECT EXAMINATION

6 BY MS. SCARSELLA:

7 Q. Miss Jones, can you please state your full
8 name for the record?

9 A. Burma C. Jones.

10 Q. Who is your employer and what is your
11 business address?

12 A. I work for the Illinois Commerce
13 Commission, 527 East Capitol Avenue, Springfield,
14 Illinois 62701.

15 Q. What is your position at the Illinois
16 Commerce Commission?

17 A. I'm an accountant in the Financial Analysis
18 Division.

19 Q. Did you prepare a written exhibit for
20 submittal in this Rehearing proceeding?

21 A. Yes, I did.

22 Q. Do you have before you a document which has

1 been marked for identification as ICC Staff Exhibit
2 23.0 which consist of a cover page, a table of
3 contents, and eleven typewritten pages and is
4 entitled the Direct Testimony on Rehearing of Burma
5 C. Jones?

6 A. Yes.

7 Q. Did you prepare that document for
8 presentation in this matter?

9 A. Yes, I did.

10 MS. SCARSELLA: I would like to note for the
11 record that this is the same document that was filed
12 on e-Docket on February 21 of 2007.

13 BY MS. SCARSELLA:

14 Q. Do you have any additions or corrections to
15 make to ICC Staff Exhibit 23.0?

16 A. No, I do not.

17 Q. Is the information contained in ICC Staff
18 Exhibit 23.0 true and correct to the best of your
19 knowledge?

20 A. Yes.

21 Q. If I were to ask you the same questions set
22 forth in ICC Staff Exhibit 23.0, would your responses

1 be the same today?

2 A. Yes.

3 MS. SCARSELLA: Your Honor, I move for
4 admission into evidence ICC Staff Exhibit 23.0.

5 JUDGE ALBERS: I'll note for the record that
6 Ms. Jones was previously sworn in.

7 Do we have any objections at this
8 point?

9 (No audible response.)

10 JUDGE ALBERS: Hearing none, we will withhold
11 admission until the completion of any cross.

12 Do we have any cross-examination of
13 Miss Jones?

14 MS. EARL: We do, your Honor.

15 CROSS-EXAMINATION

16 BY MS. EARL:

17 Q. Miss Jones, beginning at page eight of your
18 testimony, you discuss reporting requirements that
19 you believe the Commission should require for the
20 Ameren Illinois Utilities; is that correct?

21 A. Yes.

22 Q. And you understand that in Rebuttal

1 Testimony that the Ameren Illinois Utilities have
2 largely accepted your proposal?

3 A. Yes.

4 Q. I'm just going to ask you a few questions
5 about what is currently reported, what the Ameren
6 Illinois Utilities currently report to Staff for the
7 record.

8 Are you aware that the utilities are
9 required to provide an annual report that lists the
10 monthly billings of the Ameren Service Company to the
11 Ameren Illinois Utilities?

12 A. Yes.

13 Q. I'm going to hand you a document.

14 MS. EARL: Permission to approach the witness?

15 (WHEREUPON a document was
16 tendered to the Court.)

17 MS. EARL: Since you have your own copy, I
18 assume you are familiar with this document.

19 THE WITNESS: Yes.

20 BY MS. EARL:

21 Q. Could you explain what this document is?

22 A. Well, it shows by -- my understanding is,

1 it shows by individual Company, by month, by business
2 line, if you will, the charges that AMS makes to this
3 particular line.

4 Q. Now when you say for each Company, which
5 companies are you referring to?

6 A. I can't say with certainty, but it would be
7 my assumption that it is all of the Ameren Companies
8 served by Ameren Services Company.

9 Q. So this document is the annual report we
10 discussed earlier that lists the monthly billings of
11 the Ameren Services Company to the Ameren Illinois
12 Utilities as well as the other Ameren Companies?

13 A. At least some of them. I don't know if
14 it's all of them.

15 Q. On the front page of the document, could
16 you please read the first paragraph?

17 A. The cover letter?

18 Q. Yes. Starting with the words "pursuant
19 to."

20 A. Pursuant to the Illinois Commerce
21 Commission's Order in Docket 03-0279 enclosed
22 herewith please find the report listing the monthly

1 billings of Ameren Services Company to the Ameren
2 Companies for the year 2005, which is also being
3 provided to the Manager of the Accounting Department
4 of the Illinois Commerce Commission.

5 The reports were to be provided on an
6 annual basis beginning March 31st, 2004. Per
7 discussions with the ICC Staff, the billings to all
8 Ameren Companies are being provided including the
9 billings to the Ameren Illinois Utilities.

10 Q. Okay. And this letter is from Edward
11 Fitzhenry to the Chief Clerk of the Illinois Commerce
12 Commission; is that correct?

13 A. Correct.

14 Q. We've talked a little bit about what's
15 provided in the report, that the report lists billing
16 by Company or from the Ameren Services Company to
17 each individual Company, and you said that it was by
18 line of business.

19 Are you referring to the function
20 code?

21 A. The function, yes, I am.

22 Q. And as we discussed, the companies are not

1 just the Ameren Illinois Utilities?

2 A. No.

3 Q. But several Ameren Companies.

4 Do you know what Staff uses this
5 document for?

6 A. Well, I know on this particular one I sent
7 out some Data Requests on it. I looked it over.
8 There were some things I didn't understand.

9 So I sent some Data Requests to Gary
10 Weiss concerning some things in here that I didn't
11 understand.

12 Q. What types of things did you ask questions
13 about?

14 A. Do you want me too read them off?

15 Q. Sure.

16 A. Okay. There appear to be no charges in the
17 business and corporate services category prior to
18 October 2005.

19 Why not?

20 What specific services are the charges
21 for?

22 Identify the individual departments

1 included in the group of charges from other
2 departments.

3 Identify the types of services
4 provided by corporate services other.

5 Identify the types of services
6 provided by Ed Controller.

7 So we review it to see, you know, if
8 there is anything that looks as if -- to see if
9 there's anything we need to look into.

10 Q. Did the Company provide sufficient answers
11 or responses to those questions?

12 A. Yes.

13 Q. So you were satisfied with the response
14 from the companies?

15 A. Yes.

16 Q. Do you know if anyone else has reviewed
17 that document on Staff?

18 A. Mary Selvaggio is copied on this. I assume
19 she would know.

20 Q. Are there any other Staff employees who
21 review the document?

22 A. I don't know that.

1 Q. Miss Jones, are you aware that the Ameren
2 Companies provide the Illinois Commerce Commission
3 with a biannual internal audit report pursuant to 83
4 Ill.Adm.Code 450.150 nondiscrimination and affiliated
5 transactions for electric utilities and 83
6 Ill.Adm.Code 550.150 nondiscrimination affiliated
7 transaction for gas utilities?

8 A. Yes. I have those here also.

9 Q. Could you please describe to me what type
10 of information is included in that document in that
11 report?

12 A. Ummm, well, in reviewing the ones we have
13 here, it seems like at various times various things
14 were reported.

15 But I believe -- the part 550 is a
16 nondiscrimination affiliate transactions. So the
17 purpose of that is basically be sure there's no
18 discrimination in dealing with the affiliates.

19 It appears that what's reported on the
20 biannual basis. It's a review of the controls
21 surrounding -- or the controls -- October -- okay,
22 the one in November of 2002 says report of Internal

1 Audit Department of the service request process, we
2 have completed a review of the service request
3 process.

4 And then it goes through and says what
5 he did and what they found. That is one of the more
6 in detailed ones. Some of them have less
7 information.

8 Q. What types of controls are described in the
9 report?

10 A. This particular one that I just referred to
11 says we traced a sample of billings from Ameren
12 Services to the operating companies.

13 And we verified that correct
14 allocations were applied, and the operating companies
15 were appropriately charged for services performed.

16 There were no unusual charges and all
17 adjustments appear to be reasonable.

18 Now that was back in 2002. Some of
19 the most recent ones don't give us quite as much
20 information of what exactly was done, but just said
21 that it was found that the controls were determined
22 to be sufficient.

1 Q. So when you say "controls" with respect to
2 this audit report, that does not mean just controls
3 to be sure that there is no discrimination between
4 affiliated transactions?

5 It refers to a review of the specific
6 costs involved between services exchanged between the
7 companies; is that correct?

8 A. Can you repeat that?

9 Q. I'm sorry, it was a long question.

10 When you say "controls," you're
11 referring to -- a review of controls, you're
12 referring to a review of the prices, the costs
13 associated with affiliated transactions and whether
14 or not those costs are reasonable; is that correct?

15 A. Right, that's part of it. The latest one
16 we received in November of '06, the conclusion was
17 controls over preferential treatment in a company
18 billing record is advertising and sharing customer
19 information are in place and operating effectively.

20 However, Ameren did not maintain a log
21 to track employees transfers as required by the Code.

22 Q. Okay. Are you aware of a document or

1 report entitled Form U-1360 Annual Report that's
2 provided to the -- that was provided to the U.S.
3 Securities and Exchange Commission of Ameren Services
4 Company for the period 11-04 through 12-31-04?

5 A. Yes, I have a copy.

6 Q. And what kind of information does that
7 document provided to Staff?

8 A. Well, this was the annual report to the
9 Securities and Exchange Commission of Ameren Services
10 Company.

11 It's a comprehensive financial
12 disclosure of all things dealing with Ameren Services
13 Company.

14 Q. Could you elaborate? What types of things?

15 A. The same types of things you would have for
16 any Company. Their operating statement, their
17 balance sheet, their sales, which in this case are
18 sales of services. Just financial statements.

19 Q. Those sales of services are to other Ameren
20 Companies; is that correct?

21 A. Yes.

22 Q. And those Ameren Companies would include

1 the Ameren Illinois Utilities?

2 A. This one did not of course have Illinois
3 Power in it because it was back in '04.

4 Q. Okay. Is it part of your responsibility to
5 review that document?

6 A. Ummm, if I am assigned to do it, it's part
7 of my responsibility. Am I the one who does it every
8 time, no.

9 Q. Do you know who reviewed that particular
10 document?

11 A. This particular one? I did.

12 Q. All right.

13 A. Scott also reviewed it, as did Theresa.

14 Q. Are you familiar with a Form 60 Annual
15 Report. It was provided to Staff in period 11-05
16 through 12-31-05.

17 It was also provided to Federal Energy
18 Regulatory Commission by Ameren Services Company?

19 A. Yes, I have a copy of it here.

20 Q. And could you describe what type of
21 information is provided in that document?

22 A. It's the same information that was provided

1 to the Securities and Exchange Commission. It's just
2 that beginning in '05, the FERC was the regulatory
3 body overseeing services companies as opposed to the
4 SEC.

5 So, it's the same type of information.

6 Q. So that type of information is provided
7 annually to the Federal agencies?

8 A. Yearly.

9 Q. And the Ameren Company provide the Staff
10 here, the Staff of the Commission with a copy of that
11 report?

12 A. We have access to it. I don't know if it
13 was provided by the Company or not.

14 Q. Are you familiar with a document identified
15 as 2004 - 2005 FERC Form One Annual Report of Major
16 Electric Utilities for each of the Ameren Illinois
17 Utilities?

18 A. I'm familiar with it.

19 Q. Okay. Do you know what type of information
20 is provided in that document?

21 A. A FERC form one.

22 Q. Yes.

1 A. Financial records of the company. Well,
2 with FERC generally it's electric companies.

3 Q. And generally speaking what type of
4 information is covered?

5 A. Balance sheets, operating statements, just
6 everything you would consider to be a financial
7 report for a beginning company.

8 MS. EARL: No further questions.

9 JUDGE ALBERS: Any other Cross?

10 MR. FLYNN: No, your Honor.

11 JUDGE ALBERS: Any Redirect?

12 MS. SCARSELLA: Can I have a minute with the
13 witness?

14 JUDGE ALBERS: Yes.

15 (WHEREUPON, a short recess was
16 taken.)

17 MS. SCARSELLA: All right, no Redirect.

18 JUDGE ALBERS: Thank you, Miss Jones.

19 (WHEREUPON, the Witness was
20 excused.)

21 MS. SCARSELLA: Can we admit Exhibit 23.0?

22 JUDGE ALBERS: Any objections at this point?

1 (No audible response.)

2 JUDGE ALBERS: Hearing none, then Staff Exhibit
3 23.0 is admitted.

4 (Whereupon ICC Staff
5 Exhibit Number 23.0 was
6 admitted into the
7 record.)

8 JUDGE ALBERS: Would Staff like to call its
9 next witness.

10 MR. FEELEY: At this time, Staff would call
11 Theresa Ebrey.

12 THERESA EBREY,
13 having been previously duly sworn by the
14 Administrative Law Judge, witnesseth and saith as
15 follows:

16 DIRECT EXAMINATION

17 BY MR. FEELEY:

18 Q. Would you please state your name for the
19 record.

20 A. Theresa Ebrey.

21 Q. And by whom are you employed?

22 A. Illinois Commerce Commission.

1 Q. Miss Ebrey, do you have in front of you a
2 document that's been marked for identification as ICC
3 Staff Exhibit 24.0 corrected, entitled the Corrected
4 Direct Testimony on Rehearing of Theresa Ebrey dated
5 February 21st, 2007, contains twenty pages of
6 narrative text, Attachments A to H, and scheduling
7 24.1 to 24.10?

8 A. Yes.

9 MR. FEELEY: For the ALJs, these -- this was a
10 document that was filed on e-Docket on February 27,
11 2007.

12 BY MR. FEELEY:

13 Q. Was ICC Staff Exhibit 24.0 corrected
14 prepared by you or under your direction, supervision
15 and control?

16 A. Yes.

17 Q. Do you have any additions, deletions, or
18 modifications to ICC Staff Exhibit 24.0 corrected or
19 any of its Attachments or Schedules?

20 A. Yes, I do.

21 Q. And what do you have -- what is that?

22 A. Schedule 24.10 was revised.

1 Q. Okay.

2 MR. FEELEY: And just for the ALJ's knowledge,
3 earlier this morning I handed out Schedule 24.10
4 Revised to you and to the Parties. But this has not
5 been filed on e-Docket yet.

6 JUDGE ALBERS: Will it be?

7 MR. FEELEY: Yes, it will.

8 JUDGE YODER: It will be filed today?

9 MR. FEELEY: I'll have to file it tomorrow.

10 BY MR. FEELEY:

11 Q. And was Schedule 24.10 revised?

12 A. On Monday, March 5th, I received additional
13 work papers from the Company to support the IP
14 purchase accounting adjustment that they had
15 proposed.

16 And so I have included line two on
17 Schedule 24.10 revised to include that adjustment in
18 my calculation.

19 Q. Okay. And what's the net affect of that on
20 your schedule or Staff's position in this case,
21 generally?

22 A. It reduced the Staff proposed adjustment.

1 I believe on my original schedule it was over 17
2 million. And the proposed adjustment on my revised
3 schedule is 821,000.

4 Q. And would that have an impact on the
5 revenue requirement?

6 A. Yes, it would.

7 Q. And is it Staff's intention to provide a
8 revised revenue requirement with it's Initial Brief?

9 A. Yes, that's my understanding.

10 Q. Do you have any others additions, deletions
11 or corrections to make to Staff Exhibit 24.0
12 Corrected?

13 A. No, I don't.

14 Q. If I were to ask you today the same series
15 of questions set forth in that document, would your
16 answers be the same?

17 A. Yes, they would.

18 MR. FEELEY: Subject to Cross is submitting ICC
19 Staff Exhibit 24.0 Corrected. It's twenty pages of
20 narrative text, captioned "A to H," Schedules 24.1 to
21 24.10, and we'll file a Revised 24.10 tomorrow on
22 e-Docket.

1 JUDGE ALBERS: We'll take any objections
2 following cross-examination.

3 Any questions for Miss Ebrey?

4 MS. EARL: Yes, your Honor.

5 CROSS-EXAMINATION

6 BY MS. EARL:

7 I'm going to start by handing out some Data Requests.
8 I believe some of these were actually handed out
9 earlier this morning, but not admitted into evidence.
10 So I'll just distribute a few of these.

11 (WHEREUPON a document was
12 tendered to the Court and
13 Counsel.)

14 BY MS. EARL:

15 Q. First, I'm going to ask you a few questions
16 about Staff Cross Exhibit 6. Do you have that
17 document?

18 A. I don't have a copy of that.

19 (WHEREUPON a document was
20 tendered to the witness.)

21 Q. Okay, turning to page two of two, would you
22 agree that this is a work paper that supports AMS

1 costs of allocation for AmerenIP?

2 A. I believe this was a work paper that the
3 Company provided in support of their adjustment, yes.

4 Q. Referring to Column I, the column headed
5 "Less Pensions and Benefits." And then referring to
6 line 70, that line is labeled A&G salaries for
7 Account 920; is that correct?

8 A. That's correct.

9 Q. And on line 70, could you please read the
10 amount that's listed in Column I?

11 A. The amount is in parenthesis, and it's 7
12 million 166 thousand 946.

13 Q. And then for line 70, could you also read
14 what the dollar amount is for Account 920 in the
15 total annualized Column H?

16 A. Thirty-three million 8 thousand 270.

17 Q. Would you agree that the total annualized
18 amount for Account 920, the 33 million 8 thousand 270
19 is adjusted downward by pension and benefits number
20 of 7 million 156 thousand 946 that you quoted
21 previously?

22 A. I would agree that if you sum the numbers

1 in line 70 for Column H, Column I, and Column J, the
2 result would be the amount in Column K.

3 Q. Could you please list the amounts in the
4 Column headings for the Columns H through K for line
5 70?

6 A. I believe I also stated that Column H is 33
7 million 8 thousand 270. Column I, I also previously
8 stated was in brackets, it's 7 million 166 thousand
9 946.

10 Column J, also in brackets is 15
11 million 2 thousand 714.

12 And Column K, 10 million 838 thousand
13 six hundred and ten.

14 Q. Okay. And would you agree Miss Ebrey that
15 the total annualized amount for Account 920, the
16 amount listed is 33 million 8 thousand 270 is
17 adjusted downward by the pension and benefits number
18 of 7 million 166 thousand 946?

19 A. I think I've previously stated that if you
20 sum the numbers across in the columns H, I, and J,
21 the result is the amount in Column K.

22 Q. Do you have any reason to believe that the

1 amount was not adjusted downward by the pension and
2 benefits number?

3 A. Mathematically, that's what the result is.

4 Q. But you don't agree that that's what this
5 Column shows?

6 A. As I sit here and look at that number, I
7 don't know what the 7 million is. All I can say is
8 mathematically, Column H, I, and J sum to Column K.

9 Q. Okay. Referring to line 76, would you
10 agree that the line is labeled Employee Pensions and
11 Benefits and the account is 926?

12 A. Yes.

13 Q. On line 76, could you read the amount
14 that's listed in Column I?

15 A. It's a number in brackets, 10 million 971
16 thousand 574.

17 Q. Would you agree that the total annualized
18 amount for Account 926 is adjusted downward by the
19 pensions and benefits number of 10 million 971
20 thousand 574, and that after adjustment the remaining
21 amount of Account 926 is zero as shown in Column K?

22 A. Yes, I would agree with that.

1 Q. Okay. Now, I'm going to ask you a few
2 questions about Staff Cross Exhibit 3. Do you happen
3 to have that document?

4 A. No.

5 (WHEREUPON a document was
6 tendered to the witness.)

7 BY MS. EARL:

8 Q. Would you agree that the document is
9 identified as a work paper in support of the Ameren
10 Illinois Utilities Exhibit 55.3, and it is labeled as
11 Pension and Benefits Loading?

12 A. Yes.

13 Q. Could you read the Column headings,
14 starting with six months ended 10-31-05?

15 A. The first Column is six months ended
16 10-31-2005;

17 The next column annualized at six
18 months ended December 1, 2005;

19 The next is actual year ended
20 12-31-2004;

21 The next column is variance AMS
22 reallocation calculation,

1 and the last Column is actual year
2 ended 12-31-2005.

3 Q. What are the total amounts shown in the
4 column labeled Variance AMS Reallocation Calculation
5 for CIPS, CILCO and IP?

6 A. For CIPS, the total is in brackets,
7 762,094.

8 For CILCO, in brackets, 1 million 75
9 thousand 384,

10 And for IP, 7 million 166 thousand
11 946.

12 Q. Okay. Referring to Attachment F in your
13 testimony?

14 A. (So complied with request.)

15 Q. Would you agree that Attachment F is your
16 Data Request -- I'm sorry, the Ameren Companies'
17 response to your Data Request TE 14.01?

18 A. Yes.

19 Q. And in that request, you ask for
20 reconciliation in the amount shown on a prior Data
21 Request Response ECJ 6.14 to Account 926 for a Form
22 One balance for AmerenIP; is that correct?

1 A. That's correct.

2 Q. And referring to Attachment G of your
3 testimony, that's also a response to a Data Request,
4 Data Request TEE 14.02, and you ask for similar
5 reconciliation of the amounts shown on BCJ 6.10 to
6 Account 926 FERC Form One balance for AmerenCILCO; is
7 that correct?

8 A. That's correct.

9 Q. And turning to Attachment H, response to
10 Data Request TEE 14.03, you ask for similar
11 reconciliation of the amount shown on BCJ 6.04 to
12 Account 926 for a Form One for AmerenCIPS; is that
13 correct?

14 A. That's correct.

15 Q. For each of these reconciliations, you
16 asked that the Ameren Illinois Utilities reconcile
17 the amounts for the first column shown on responses
18 to you, the BCJ / DR Responses to the 26 FERC Form
19 One balance; is that correct?

20 A. It's correct.

21 Q. For example, in the case of AmerenIP, TEE
22 14.01 asks for reconciliation of the amounts of 30

1 million 323 thousand 793 and 15 million 525 thousand
2 136 from the response to BCJ 6.14; is that correct?

3 A. That's correct.

4 Q. And those stated amounts represent totals
5 rather than net O&M expense amounts; is that correct?

6 A. That's correct.

7 Q. And the responses to BCJ 6.14, BCJ 6.10 and
8 BCJ 6.04 each include total amounts, the amount
9 transferred to construction and net O&M amounts for
10 2005; is that correct?

11 A. That's correct.

12 Q. Do you recall that the AG proposed certain
13 adjustments to the Ameren Illinois Utilities
14 requested pension and benefits amounts?

15 A. Yes.

16 Q. Okay, looking in the DR packet that I
17 handed out, included within that packet is AG Exhibit
18 1.0, Schedule C-2.2 for AmerenIP.

19 Now on this schedule the AG was
20 proposing to reduce pension costs from 2006 budgeted
21 levels to 2005 actual levels; is that correct?

22 A. Could you repeat that?

1 Q. The AG proposed to reduce pension costs
2 from 2006 budgeted levels to 2005 actual levels?

3 A. That's correct.

4 Q. And the source for 2005 actual costs is the
5 AmerenIP response to Data Request BCJ 6.14; is that
6 correct?

7 A. That's correct.

8 Q. In calculating the adjustment, the AG
9 elected to show the 2005 rather than net or none
10 amount in the response to BCJ 6.14; is that correct?

11 A. That's this appears to present, yes.

12 Q. And the AG then calculated the difference
13 in the 2005 and 2006 totals and multiplied the result
14 by a ratio that was intended to represent the portion
15 allocated to operation and maintenance and expense to
16 determine AG's expense adjustment; is that correct?

17 A. I don't know what the AG intended. But
18 that's how I interpret the numbers on this schedule.

19 MS. EARL: Thank you.

20 No further questions.

21 JUDGE ALBERS: Any others?

22 Do you have any Redirect?

1 MR. FEELEY: No, no Redirect.

2 JUDGE ALBERS: Was Attachment B the only one

3 that was confidential?

4 THE WITNESS: Yes.

5 JUDGE ALBERS: Any objection to any of the

6 exhibits -- to Miss Ebrey's exhibits?

7 (No audible response.)

8 JUDGE ALBERS: Hearing no objections, Staff

9 Exhibit 24.0 corrected and Attachment A,

10 Attachment B, which is both proprietary and public

11 versions -- is there public versions of that?

12 MR. FEELEY: Yes. Correct.

13 JUDGE ALBERS: -- (continuing) as well as C

14 through H, Schedules 24.1 through 24.9 and 24.10

15 Revised are all admitted.

16 (WHEREUPON, ICC Staff Exhibit

17 Numbers 24.0 Corrected with

18 Attachments A & B, both public

19 and proprietary versions, was

20 admitted into the record.)

21 JUDGE ALBERS: And, Miss Earl, did you want to

22 mark this packet?

1 MS. EARL: No.

2 JUDGE ALBERS: That's fine. Thank you,
3 Miss Ebrey.

4 (WHEREUPON, the Witness was
5 excused.)

6 MR. FOSCO: Staff would call Mr. Lazare.

7 JUDGE ALBERS: Mr. Lazare, you were previously
8 sworn; is that correct?

9 THE WITNESS: Yes.

10 PETER LAZARE

11 called as a witness on behalf of Staff of the
12 Illinois Commerce Commission, having been first duly
13 sworn, was examined and testified as follows:

14 DIRECT EXAMINATION

15 BY MR. FOSCO:

16 Q. Mr. Lazare, would you please state your
17 name for the record and spell your last name?

18 A. Peter Lazare, L-A-Z-A-R-E.

19 Q. And what is your place of employment and
20 title?

21 A. I'm a Rates Analyst in the Financial
22 Division of the Illinois Commerce Commission.

1 Q. And, Mr. Lazare, did you cause testimony to
2 be prepared on Rehearing in this Docket?

3 A. Yes.

4 Q. And you have in front of you what has been
5 marked as ICC Staff Exhibit 26.0 Corrected, entitled
6 the Corrected Direct Testimony on Rehearing of Peter
7 Lazare?

8 A. Yes.

9 Q. And did that document consist of a cover
10 page, twenty-seven pages of questions and answers,
11 and Schedules 26.1 and 26.2

12 A. Yes.

13 Q. Do you have any corrections or
14 modifications to this testimony?

15 A. No.

16 Q. If I were to ask you the questions set
17 forth in ICC Staff Exhibit 26.0 Corrected today,
18 would your answers be as contained therein?

19 A. Yes.

20 Q. And is the testimony contained therein true
21 and correct to the best of your knowledge?

22 A. Yes.

1 MR. FOSCO: And, your Honor, we would tender
2 Mr. Lazare for cross-examination and move for
3 admission after cross-examination.

4 JUDGE YODER: Did he have Corrected?

5 MR. FOSCO: Yes, it was corrected. And it was
6 filed on e-Docket on February 22nd.

7 JUDGE ALBERS: And the attachments?

8 MR. FOSCO: We filed it as a group.

9 JUDGE ALBERS: Oh, it was all --

10 MR. FOSCO: It was all re-filed.

11 JUDGE ALBERS: Thank you.

12 JUDGE YODER: Well, subject to any cross, we
13 will address the admissibility after some
14 cross-examination questions.

15 Mr. Flynn?

16 MR. FLYNN: I have some cross questions.

17 CROSS-EXAMINATION

18 BY MR. FLYNN:

19 Q. Good afternoon, Mr. Lazare, how are you?

20 A. Good. How are you doing?

21 Q. I'm very well, thanks.

22 At page one of your Direct Testimony,

1 starting at line 12, you indicate that the purpose of
2 your Direct Testimony in this Rehearing phase is to
3 respond to the Ameren witnesses concerning the
4 appropriate level of A&G expenses to be recovered in
5 delivery service rates; is that right?

6 A. Yes, it's correct.

7 Q. And I was wondering if you could clarify
8 that?

9 Did you believe that your
10 responsibility was to defend the Commission's
11 conclusions in the November 21st Order in this case?

12 A. My responsibility was to evaluate the
13 Companies' proposal for an increase over what the
14 Commission granted them and to evaluate to see
15 whether it was reasonable or not.

16 Q. Okay. So, your responsibility -- let me
17 restate that.

18 So Staff's responsibility including
19 you in this Rehearing phase as you understand it was
20 to assess the reasonableness of the Company's
21 proposed level of A&G expenses; is that right?

22 A. Yes.

1 Q. Okay. The Staff makes a different
2 recommendation regarding the level of A&G expenses in
3 this Rehearing phase than it made before the
4 November 21st order; is that right?

5 A. Yes.

6 Q. What's the magnitude of that difference?

7 A. I don't know for sure. But my guess is
8 that now granted by the Commission is less than Staff
9 had recommended in its case on that part of the
10 proceeding.

11 Q. Somewhere in the 40 to 50 million dollar
12 range?

13 A. Well, there certainly was a 50 million
14 dollar item that was not part of the Staff's
15 recommendation, specifically that was adopted by the
16 Commission's adjustment.

17 Q. All right, so at the very least, the Staff
18 is recommending in had the neighborhood of - and I
19 won't hold you to a specific number - from 50 million
20 dollars less in this Rehearing phase than in the
21 initial phase of this case; is that right?

22 A. I think it's -- I don't know if I would

1 quite characterize it that way. I would say that the
2 Commission granted a certain level of A&G expenses to
3 the Company.

4 And now the Staff is evaluating the
5 Company's proposal for and increase over the amount
6 granted by the Commission, and Staff is evaluating
7 whether that request in the hearing is reasonable or
8 not.

9 Q. All right. And -- well, let me ask you
10 this: What amount does Staff believe is reasonable?

11 A. Well, the Commission has determined based
12 upon it's Order what it considers to be a reasonable
13 amount, just a reasonable level of A&G expense.

14 Now Staff is evaluating whether the
15 Company has provided the evidence for the increase
16 upon what the Commission granted.

17 Q. All right, so Staff isn't in any way
18 assessing whether what the Commission did was
19 reasonable; is that right?

20 A. Staff is concluding that that -- saying
21 that is what the Commission found to be a reasonable
22 level of A&G expense.

1 And now the Staff is saying given what
2 the Commission has said, now we're examining what the
3 Company is proposing and see whether or not they have
4 a reasonable basis for increasing A&G over the level
5 approved by the Commission.

6 Q. Okay. Page two of your Rehearing Direct,
7 the question and answer beginning on line 32, are you
8 there sir?

9 A. Yes.

10 Q. You list four factors that you say are
11 shortcomings in the Company's presentation; is that
12 right?

13 A. Yes.

14 Q. None of these alleged shortcomings were
15 identified by you in the first phase of this case; is
16 that correct?

17 A. That's correct.

18 Q. You criticize Mr. Adams peer group study in
19 your testimony; is that right?

20 A. Do you have a site that you're at?

21 Q. Do you recall whether you criticize Mr. --

22 A. I just thought there was a specific area

1 that you wanted to focus on.

2 Q. Well, not at the moment.

3 A. Okay.

4 Q. You don't dispute that a properly conducted
5 peer group study can be an appropriate means of
6 comparing the Ameren Utilities AMS charges to market
7 prices, do you?

8 A. I just find it hard -- I think it's
9 possible that a study can do that. I'm not sure. I
10 would have to see something that is evaluating,
11 whether I thought it could help.

12 Q. And I'm not trying to misrepresent where
13 you are. Your testimony is clear that you don't
14 think -- that whatever that peer group study might be
15 that suffices, Mr. Adams hasn't provided it; is that
16 right?

17 A. Yes.

18 Q. Now, I have a specific reference for you.
19 If you could turn to page eight of your testimony,
20 down around lines 216 and 217, you indicate that in
21 your view the utilities have failed to establish that
22 the allocations of AMS costs among the Ameren

1 subsidiaries are reasonable; is that right?

2 A. Yes.

3 Q. All right. And you would agree that the
4 allocations of AMS costs are you governed by the
5 provisions of the Ameren General Services Agreement;
6 is that right?

7 A. Yes.

8 Q. And is it fair to say that the allocation
9 factors are an integral part of the price that AMS
10 can charge to the utilities?

11 A. Yes.

12 Q. And generally what happens is that the AMS
13 costs are -- I'm sorry, that an allocation factor or
14 factors would be applied to AMS's costs and charged
15 to the utilities that way; is that right?

16 A. Yes.

17 Q. You aren't questioning the reasonableness
18 of the allocation factors themselves in your
19 testimony, are you?

20 A. Well, I am questioning their completeness.
21 They seem to be -- whether they're reasonable, they
22 just aren't adequate.

1 Q. All right. You used the word "incomplete,"
2 are you saying that there's something missing from
3 the allocation factors?

4 A. I think that there are two things that are
5 missing.

6 Q. I'll bite. Sure.

7 A. Well, one is the AMS costs that are used
8 for the 2004 test year are actually 2005 May through
9 October. And there are two significant differences
10 in the case and his study is just 2004.

11 And there are signature differences
12 from 2004 which was presented with Mr. Adams'
13 Testimony and the 2005 costs which are used for
14 determining the revenue requirement.

15 One is that UE owned Metro East in
16 2004 and it was transferred in 2005 to CIPS.

17 And, secondly, IP was not included in
18 the study that was attached to Mr. Adams' Testimony
19 because that was 2004, and IP I think only started
20 being allocated AMS costs in 2005.

21 Q. Okay. Are you saying that when there's an
22 acquisition of another utility that the allocation

1 factors should be altered or modified?

2 A. If they're going to be part of the revenue
3 requirement, yes, I would say so.

4 Q. Okay. When Ameren acquired CILCO, did
5 the -- did the Commission order any change in the
6 allocation factors?

7 A. I'm not aware of what the Commission
8 ordered with respect to those allocation factors.

9 Q. Do you know whether the Staff reviewed the
10 allocation factors in connection with the acquisition
11 of CILCO?

12 A. I was not part of the case. So I'm not
13 aware of specific activities by Staff.

14 Q. Should Staff have -- irrespective of
15 whether Staff did, should Staff in your opinion have
16 looked at the allocation factors in connection with
17 the acquisition of CILCO?

18 A. It might be difficult to just sort of just
19 on a perspective basis to review allocation factors
20 before they're actually receiving AMS costs.

21 If the proceeding is to examine the
22 merger, I would assume that CILCO would not be

1 receiving AMS costs until after the merger was
2 complete.

3 So I'm not sure to what extent you can
4 look at specific allocation factors in the merger
5 case if the allocations are occurring after the case
6 is over.

7 Q. Were you involved in the case in which
8 Ameren approved Ameren's acquisition of Illinois
9 Power?

10 A. No.

11 Q. So you don't know what the Staff may have
12 looked at regarding allocation factors in this case
13 then?

14 A. No.

15 Q. Mr. Lazare, were you part of the case or
16 involved in the case when the Commission approved the
17 transfer of the Metro East territory from UE to CIPS?

18 A. No.

19 Q. So, you don't know regarding that transfer
20 what if anything the Staff might have looked at in
21 connection with the allocation factors?

22 A. No.

1 Q. I couldn't help notice that you were
2 sitting next to Mr. Fosco earlier this afternoon when
3 he was chatting with Mr. Adams. And in particular
4 about testing of allocation factors by the SEC. And
5 that's not what I'm going to ask you about.

6 When was the last time the ICC Staff
7 tested the allocation factors in the General Services
8 Agreement?

9 A. I would not know. That is not part of my
10 normal responsibility outside of the case.

11 Q. Whose responsibility is it?

12 A. That's the Accounting Department. And I'm
13 not in the Accounting Department so I couldn't say
14 specifically.

15 Q. All right. Do you know of any plans that
16 the ICC Staff may have now to test these allocation
17 factors in the future?

18 A. Now, no, I'm not aware.

19 Q. Could you turn to page 11 of your Direct
20 Testimony, I guess it's your only testimony. And
21 down around line 267, you begin discussing that it
22 would have been a considerable undertaking for Staff

1 to go through the allocations of approximately 1400
2 service requests in Mr. Adams' Exhibit 54.6; is that
3 right?

4 A. Yes.

5 Q. Did you consider sampling some percentage
6 of those service requests?

7 A. I'm not clear what you mean by -- I mean,
8 for each service request you could go to the
9 allocation factor I think in 54.7 and you could see
10 what percentage was allocated to each of the
11 affiliates.

12 So I'm not quite sure what you mean by
13 sampling.

14 Q. In your testimony - and I'll find you a
15 page here in a minute - starting on page 15 or so and
16 continuing for several pages, and I'm not going to
17 refer you to any specific sentence there.

18 But you're discussing the Commission
19 Docket that reviewed the UE/CIPS merger that created
20 Ameren; is that right?

21 A. Yes.

22 Q. And that was Docket 95-0551?

1 A. Yes.

2 Q. The Commission approved the use of a
3 service company in that case, didn't it?

4 A. I don't remember specifically. I don't
5 remember that part of the decision.

6 Q. Were you involved in that case?

7 A. No.

8 Q. Did you know whether since then the
9 Commission has had any occasion to order the
10 companies to discontinue the use of a service
11 company?

12 A. I'm not aware of any such decision.

13 Q. All right. In the course of your
14 discussion that begins at page 15 - and, again, I'm
15 not referring you to any specific sentence, although
16 you're free to look at one if you like - you discuss
17 merger savings projected by the applicants in that
18 case; is that right?

19 A. Yes.

20 Q. And is it your understanding that the
21 merger savings were to be the difference between
22 actual costs incurred and what costs would have

1 otherwise been incurred absent the merger?

2 A. Yes, that was my understanding.

3 Q. All right. But the savings weren't
4 necessarily direct deductions from pre-merger cost
5 levels; is that right?

6 A. That's right.

7 Q. I know you weren't involved in the case,
8 but to the extent that you're aware, Staff took the
9 position in that case that such savings couldn't be
10 accurately projected; is that right?

11 A. I'm not aware of the specific Staff
12 position in the case.

13 Q. Okay. Did CILCO have any change in
14 electric rates between the date it was acquired by
15 Ameren Corporation and January 2nd of this year, to
16 your knowledge?

17 A. Not to my knowledge.

18 Q. Can I direct you to page 20. When you're
19 there if you could look at lines 501 to 503.

20 A. Yes.

21 Q. All right. There you say, don't you, that
22 instead of regarding A&G as an area where savings may

1 be realized, the companies consider it a platform on
2 which to pass a significant increase and pass it
3 along to rate payers?

4 A. Yes.

5 Q. You're not quoting the companies there, are
6 you?

7 A. No, that is my conclusion.

8 Q. Is that your interpretation of what the
9 companies are doing?

10 A. Yes.

11 Q. You're not relying on a particular
12 statement that any company representative has made?

13 A. No.

14 Q. And the word "platform" is yours and not
15 the Ameren Utilities?

16 A. Yes.

17 Q. I certainly don't want to get in an
18 argument with you, I'm sure I wouldn't win.

19 But if you disagree with me, I'll drop
20 it and move on. But is it fair to say that there's a
21 certain indignation in your statement there?

22 MR. FOSCO: I'll object as argumentative.

1 JUDGE YODER: I'll let him answer if he can
2 characterize his own statement.

3 THE WITNESS: I mean, I just think it's a fair
4 characterization. I just tried to present testimony
5 in a matter that --

6 MR. FLYNN: I promised to let it drop and I
7 will.

8 BY MR. FLYNN:

9 Q. In the initial phase of this case, you were
10 willing to pass along a substantial amount of the A&G
11 dollars that the Commission subsequently disallowed,
12 weren't you?

13 A. Yes.

14 MR. FLYNN: Those are all the questions that I
15 have.

16 JUDGE YODER: Mr. Robertson?

17 MR. ROBERTSON: No.

18 JUDGE YODER: Miss McKibbin or Mr. Garg?

19 MS. MCKIBBIN: No.

20 MR. GARG: No.

21 JUDGE YODER: Judge Albers, anything?

22 JUDGE ALBERS: No.

1 Any Redirect?

2 MR. FOSCO: One second, please?

3 (WHEREUPON, there was then had
4 an off-the-record discussion.)

5 MR. FOSCO: No Redirect, your Honor.

6 JUDGE YODER: Any objection to the admission of
7 Staff Exhibit 26 Corrected, the Direct Testimony on
8 the Rehearing of Mr. Lazare along with accompanying
9 Exhibits 26.1 and 26.2?

10 (No audible response.)

11 JUDGE YODER: Hearing no objection, Staff
12 Exhibit 26 and Attachments and Exhibits 26.1 and 26.2
13 will be admitted into in evidence this docket.

14 (Whereupon ICC Staff Exhibit
15 Number 26 Corrected along with
16 attachments and Exhibits 26.1
17 and 26.2 were admitted into the
18 record.)

19 JUDGE ALBERS: Just a reminder then, we're
20 going to meet next Wednesday.

21 Initial Briefs are due March 23 and
22 Reply Briefs are due March 30th, and I can't think of

1 anything else to add.

2 MR. FLYNN: Judge, a couple things: We had
3 promised at different points during the day to file
4 some revised items on e-Docket, and also to provide a
5 typed-up list of our exhibits and the specific dates
6 on which those were filed.

7 I suspect that's not going to happen
8 before 5:00, so we'll get those around in the
9 morning.

10 Secondly, pursuant to your direction
11 earlier today, Mr. Garg and companies have worked out
12 a discovery schedule that should accommodate the
13 hearing next week.

14 And so hopefully, you won't hear any
15 more from either one of us on that.

16 And I think that's all I have.

17 JUDGE ALBERS: Okay.

18 JUDGE YODER: Mr. Flynn, the only one I was
19 worried about was Mr. Adams's various --

20 MR. FLYNN: Right.

21 JUDGE YODER: We're not going to admit those
22 until Wednesday so there's no --

1 MR. FLYNN: Yes. Regardless, we'll get that
2 around tomorrow morning.

3 JUDGE YODER: Anything else before we break
4 today?

5 (No audible response.)

6 JUDGE YODER: Okay, then we'll be back
7 Wednesday, March 14th at 9:30.

8 (WHEREUPON, the hearing in this
9 matter is continued to
10 Wednesday, March 14, 2007 at
11 9:30 A.M. in Springfield,
12 Illinois.)

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